

INTERNATIONAL

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WORLD WEATHER—PART 1
TODAY: Partly cloudy, 70-80.
TOMORROW: Partly cloudy, 70-80.
WEDNESDAY: Partly cloudy, 70-80.
THURSDAY: Partly cloudy, 70-80.
FRIDAY: Partly cloudy, 70-80.
SATURDAY: Partly cloudy, 70-80.
SUNDAY: Partly cloudy, 70-80.

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No. 27,528



IN THE SWIM—Several thousand Chinese soldiers take to the Yangtze Friday, the fifth anniversary of the fabled swim by Communist party chairman Mao Tse-tung. In his 1966 feat, it was reported that Mr. Mao covered 9.3 miles in 65 minutes, swimming downstream from the Wuchang Dikes on the Yangtze. Soviet and Western newspapers scoffed at the claim, noting that his speed, the equivalent of 252 yards a minute, is twice the world's record for the 230-yard distance—not bad, they said, for a man who was then 72 years old.

After Five-Day Battle Jordan Defeats the Guerrillas; Massacre, Rout Are Reported

BEIRUT, July 18—A battle which began Tuesday between Jordanian troops and Palestinian guerrillas appeared ended today in North Jordan. There were conflicting accounts about the start of the fighting and about its finish, but despite the propagandistic murk it was clear that King Hussein's troops had won a major victory. A Jordanian spokesman said that the peace pact reached last fall in Cairo was now invalid.



ROYAL SOLDIER—Jordan's King Hussein jumps from a Patton tank during maneuvers near Amman recently.

The conflicting reports included: A press-conference statement by King Hussein that "we had no choice but to act against the commandos because they became a nuisance to many people and to the armed forces." The fighting was finished, he said, adding: "This is final. Now there is no problem, and attempts are being made to bring them together and achieve a better solution." He said: "If need be, we are all ready to fight against the Israelis."

A statement from guerrilla representatives in this Lebanese capital that commandos had fled to Israeli-controlled territory to escape butchery by Hussein's soldiers. The statement said that the flight started when royal Jordanian troops mowed down a large number of guerrillas after they surrendered in response to loudspeaker invitations. The statement added that the fugitives preferred to die at the hands of the Israeli enemy rather than be slaughtered by their Arab brothers.

A statement from Israeli officials in Tel Aviv that government troops had captured 47 Palestinian infiltrators over the weekend. The guerrilla spokesmen in Beirut said that Israel had acknowledged the arrival in Israeli-occupied territory on the West Bank of the Jordan River, of 16 commandos. "We are sure that 70 others arrived," the statement said, and added that some civilians had also fled to the West Bank. A government official in Amman said Jordan considered that the Cairo agreements which ended Jordan's civil war last September were no longer valid. A Baghdad radio communiqué monitored in Jerusalem announced that Iraq had severed diplomatic relations with Jordan, closed the border and barred Jordanian aircraft from flying over Iraqi territory. The radio said the action was taken because Jordan had renounced the Cairo agreements with the Palestinians. The Sudan government added the denunciation of Jordan. A broadcast by the Omdurman radio heard in Cairo said that the Jordanian Army attacks against the guerrillas were "a serious crime which all Arab governments and people should speedily condemn."

Nixon's China Trip Peking Paper Prints 7 Lines on Visit, Then Ignores It

By James Reston
PEKING, July 18 (NYT)—The Chinese government seems to be making less fuss over President Nixon's forthcoming trip to Peking than most other governments in the world. The Peking daily Jenmin Jih Pao, which comes out any time of the day that there is news, gave the story seven lines in the corner of its front page Friday. It did not mention the matter yesterday and ignored

the comments of President Nixon and Henry A. Kissinger on it. The Peking radio merely read the official communiqué Friday and then dropped the subject yesterday in favor of a long denunciation of "American imperialism" and "Japanese militarism." Foreign Office officials passed on to Premier Chou En-lai requests for information about the Kissinger mission, but these were ignored. People in the streets and even

at Peking University seem wary about discussing what for them is a surprise development. For years they have been urged from billboards and propaganda racks to "unite and defeat the United States aggressors and all their running dogs," so the switch leaves them cautious if not speculators. Not so the members of the Western diplomatic corps. They were outspokenly, almost joyfully, complimentary to Mr. Nixon for what they regarded as a bold

'Unusual, Not Unexpected,' Says Moscow

MOSCOW, July 18 (UPI)—A newspaper today made the first Soviet commentary on President Nixon's projected visit to Peking by describing the news as "unusual, although not particularly unexpected."

and government thus appeared to be following a policy of soft, slow reaction through the official press—nothing in Pravda, but a brief expression of cool suspicion from Komsomolskaya Pravda. While the newspaper cannot compare to Pravda or several other journals in stature, it is nonetheless an officially controlled propaganda organ of wide circulation and Mr. Yefremov's views could not stray from official policy. His comment that the latest Washington-Peking moves were "not particularly unexpected" contradicted some Moscow diplomats who said that the Russians had been much surprised.

mission that might finally lead to normalization of relations between Washington and Peking. President Nixon, then, noted, must have known that so dramatic an American diplomatic initiative would encourage many wavering nations to support the mounting drive to expel Nationalist China from the United Nations and give its seat to the Peking government. It is hard to imagine, diplomats here observed, that the President would time Mr. Kissinger's trip to Peking before the September meeting of the UN General Assembly and his own visit to Peking after the assembly if he intended to lead the fight against Peking's entry into the world organization this autumn. Aside from this awkward dilemma over who should represent China in the UN, and what seems to be rising campaign here against "United States-Japanese militarism," the timing of the President's move seems ideal. The general tone of official talk here is moderate and even friendly. Chinese Foreign Office officials go out of their way to say that China is a big but poor country, not a superpower and with no ambitions to be one. They say the Chinese want what is theirs—meaning Taiwan—but that Peking can wait. They say Peking does not want war and could not impose its social and political system on Southeast Asia if it wanted to. Unless one gets to the top of the Chinese government, however, it is hard to get dependable information. Even the Foreign Office was not told about the mission by Mr. Kissinger, President Nixon's adviser on national security, and apparently it has yet to be filled in on his talks with Premier Chou. The diplomatic corps was given no advance information about the joint communiqué.

Viet Cong Insist Paris Talks Can Achieve Peace in Vietnam

By Henry Giniger
PARIS, July 18 (NYT)—A spokesman for the Viet Cong delegation declared yesterday that the Paris peace talks were still offering the best means of settling the Vietnamese war. The spokesman, Duong Dinh Thuan, sought to counter recent reports that Communist China favored an international meeting along the lines of the 1954 Geneva Conference, which ended the French Indochina war. The most recent report was by Gough Whitlam, leader of the Australian Labor party, who ended a visit to China this week. Mr. Whitlam said that Premier Chou En-lai had expressed Peking's willingness to take part in such a conference. Mr. Thuan insisted in a statement here yesterday that Peking continued to support the position that the war in Vietnam should be settled here in accordance with the demands that the United States set a date for total withdrawal and abandon the present Saigon regime. Neither the South Vietnamese nor the Viet Cong delegation have commented directly on President Nixon's projected visit to Peking. French observers have noted some nervousness and annoyance on the part of the delegations in recent months as Chinese-American relations have improved. French officials have tried to point out that warmer relations between Washington and Peking would make an American withdrawal easier, but the North Vietnamese and Viet Cong are still believed to find it unsettling that Mao Tse-tung is willing to talk with the man they have been denouncing as a warmonger and an aggressor. Mr. Thao declared that it was the fault of the United States if the Paris talks were deadlocked.

At Party Conference
Wilson Assails EEC Terms, But His Labor Foes See Gain
By Anthony Lewis
LONDON, July 18 (NYT)—Harold Wilson yesterday savagely attacked the terms negotiated by the Conservative British government for entry into the European Economic Community. Mr. Wilson, leader of the Labor opposition, stopped just short of saying outright that he will now oppose entry. But no one hearing him was left in any doubt that he will shortly declare himself against it. As prime minister four years ago, Mr. Wilson committed himself strongly to joining the Common Market, but he has gradually changed his tone since losing the election a year ago. He is now expected to complete his turnabout on July 28, when he will disclose his position. The Wilson speech wound up a special one-day Labor party conference on the issue of Europe. The meeting's mood, like his, was negative. The loudest applause came for speakers opposed to the market. But those in the party favoring it were actually encouraged by the day's events. They were given nearly equal time in the televised proceedings, and they felt they demonstrated that the market has considerable support within Labor's ranks. They hope that their showing will make it more difficult for the party leadership to force them into voting in Parliament against the terms. The House of Commons is expected to vote on the issue Oct. 6. (Continued on Page 2, Col. 6)

IRA Gunmen Blast Presses Of a Newspaper in Belfast
BELFAST, July 18 (UPI)—Raiders armed with submachine guns and pistols invaded the Belfast plant of the Daily Mirror yesterday, herded the staff into the toilets and bombed the printing presses, police said. No one was hurt, according to a police spokesman. In the Irish Republic capital of Dublin, the outlawed Irish Republican Army said its men carried out the attack. An IRA spokesman said the newspaper had "propagated British propaganda." Fourteen men, with stocking masks over their faces and brandishing Thompson submachine guns and pistols, charged into the nationally circulated British newspaper's plant at Suffolk, on the outskirts of the Northern Irish capital, overpowered the watchmen and forced the 15 workers into toilets and shower rooms. Then they placed a bomb of about 20 pounds of gelignite in the process at the building's rear, piled into three vehicles and sped away, police said. The bomb exploded 20 seconds later, wrecking the presses, blowing out windows and damaging much of the ground floor. "It was a pretty expensive blast," a police spokesman said.

747 Goes Off Ruuway
SYDNEY, July 18 (UPI)—A Pan American World Airways 747 with 275 passengers and 15 crew aboard overshot a runway at Mascot Airport today and dug down four feet into the sand 80 yards from Cooks River. No one was injured.

MADRID MEETING—U.S. Vice-President Spiro T. Agnew, left, with Generalissimo Francisco Franco, right, and the Spanish Foreign Minister Gregorio Lopez Bravo at a reception at the El Pardo Palace in Madrid on Saturday night. Story, Page 3.



Egypt, Libya Decry Jordan And Morocco

CAIRO, July 18 (NYT)—Ending a three-day meeting to discuss new rifts in the Arab ranks, President Anwar Sadat of Egypt, Col. Moamer Kaddafi of Libya, and delegations from Syria and the Sudan last night condemned repressions in Morocco since an uprising there a week ago. They also charged that operations this week against Palestinian guerrillas by the Jordanian Army represented "flagrant violations" of last year's accords between the two sides. The talks were held in Mersa Matruh, a resort town west of Alexandria on the Mediterranean. A communiqué made public last night expressed "deep concern" about the situation in Morocco, "where people are being killed without trial." This clearly was an allusion to the shooting of at least ten military officers accused as leaders of the attack on a seashore palace on Saturday, July 10, while King Hassan II was celebrating his 42d birthday. The communiqué also condemned "extraordinary measures under which the Moroccan people live." Violation Charged It charged that the Moroccan authorities had violated "diplomatic procedure" by occupying the Libyan Embassy in Rabat after the leftist regime of Libya had expressed strong support of the mutiny against King Hassan. The Egyptian Middle East News Agency reported Wednesday night that Libya had broken diplomatic relations with Morocco over the incident and had asked Egypt to look after Libyan interests in Rabat. There was confusion here today, however, whether Libya did indeed break relations or, possibly, had reconsidered the move after passions began to subside. Al-Ahram, the authoritative Cairo Daily, said yesterday that the Libyan move did not involve a break of relations but rather a withdrawal of the Libyan ambassador and embassy staff. "This decision is possible to return of Libya makes it possible to return the ambassadors of the two countries to their posts in the near future after removing tensions that strained relations following the recent incidents in Morocco," al-Ahram said.



Harold Wilson, shown at the Labor party conference.

Washington, possibly enchanted now by its flirtation with Peking, risks missing this chance," it said. Pravda, the most authoritative newspaper of Communist party opinion, reported a few more details of the Kissinger and Nixon visits today but added not a word of commentary. The Soviet Communist party

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Mission Discussed Last Month

Space Linkup by U.S., Russia Now Being Seriously Weighed

By John Noble Wilford

CAPE KENNEDY, Fla., July 18 (AP)—The United States is seriously considering a plan to launch a manned Apollo spacecraft into orbit to link up with a Soviet Salyut space station...

The first Salyut space station was launched last April and is still orbiting the earth. It was occupied for nearly 23 days last month by the three Soyuz-11 astronauts...

The Apollo-15 mission is scheduled to be launched within a three-week period starting at 9:34 a.m. on July 26...

Men Arrested in Airliner Bomb Extortions in U.S.

NEW YORK, July 18 (AP)—Two men were arrested as they attempted to receive payoffs they had demanded in separate threats far from New York and San Francisco...

John Berry, 40, was arrested in New York City's East Village section as he received a \$50,000 payoff he had demanded in a threat to bomb an Irish airline jet carrying 339 persons...

Rogers' Deputy Lands in London

LONDON, July 18 (Reuters)—Sir John N. Irwin, United States ambassador to the United Kingdom, arrived at Heathrow Airport today to address a conference of the American Bar Association...

Coney Island Will Sue Navy Over Oil Spill

NEW YORK, July 18 (UPI)—The Coney Island Chamber of Commerce announced yesterday that it would file a \$1-million damage suit against the Navy for an oil spill off Coney Island...

U.S. Sets Up Ocean Office

WASHINGTON, July 18 (AP)—The U.S. Defense Department Friday announced the establishment of an Office of Ocean Affairs and named Under Secretary of the Navy John W. Warner to be its first director...

U.S. Newsmen's Union Wants Mitchell Out

BOSTON, July 18 (AP)—The American Newspaper Guild convention here has called for the resignation of Attorney General John N. Mitchell...



EPIDEMIC VICTIMS—A workman on a ranch in Texas gets ready for the grim job of removing the carcasses of two horses killed by the raging equine encephalomyelitis.

U.S. to Siphon Farm Funds Into Fight on Horse Epidemic

By Martin Waldron

HOUSTON, July 18 (UPI)—U.S. Secretary of Agriculture Clifford M. Hardin said late Friday that the outbreak of Venezuelan equine encephalomyelitis in Texas has become an agriculture emergency...

The sleeping sickness, which moved into Texas from Mexico earlier this month, killed 800 horses in Texas last week, and 1,000 were dying...

Agnew Marks Anniversary Of Start of Spain's Civil War

MADRID, July 18 (UPI)—Symbolizing the increasingly warm friendship between the United States and Spain, Vice-President Spiro T. Agnew today became the highest-ranking American to celebrate the 1936 uprising which brought Generalissimo Francisco Franco to power...

Mills Says Nixon Errs in Refusing To Spur Economy

OGDEN, Utah, July 18 (UPI)—Rep. Wilbur D. Mills, D., Ark., accusing President Nixon of making a "serious and costly mistake" in refusing to change his economic policies, has called for tax cuts and reduced federal spending to lift the nation from a "recession"...

Agnew Praises African Heads But Chides Some U.S. Blacks

MADRID, July 18 (UPI)—Vice-President Agnew delivered yesterday a broad indictment of unidentified black leaders in America, calling them "querulous" and saying they had much to learn from the African officials he had met on his worldwide tour...

Ex-Gov. Barron Of W. Va. Given 12 Years for Bribery

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Rail Walkout Goes On

U.S. Mail Strike Threatened, But Talks Show 'Progress'

WASHINGTON, July 18 (UPI)—The government's top labor troubleshooter reported "considerable progress" today in contract talks for the nation's 750,000 postal workers...

U.S. Refugee Airlift in India Ends at New Delhi's Request

NEW DELHI, July 18 (Reuters)—The American airlift of East Pakistani refugees away from the border areas of India ended today at the request of the Indian government...

6 Negro GIs Charged In South Korea Riot

SEOUL, July 18 (AP)—Six American soldiers have been charged with "willful destruction of properties" in connection with a riot July 9 involving black soldiers and South Koreans near Camp Humphreys...

Circulatory Ills Still Top Killer (53%)

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Phone Strikers Get Company To Install Phone

DULUTH, Minn., July 18 (AP)—Berway Swanson, president of Local 7214 of the Communications Workers of America, set up strike headquarters in the Duluth Labor Center Wednesday for 400 members who walked out...

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Clifford M. Hardin, U.S. Secretary of Agriculture, at his news conference, on Saturday.

Advertisement for DIAMOND jewelry. Text includes: 'FROM ANTWERP BELGIUM the DIAMOND for you', 'Now buy a Diamond at better than wholesale prices from a firm since first located at the Diamond center of the world!', 'INTERNATIONAL DIAMOND SALES', 'Diamond Source: 51, Boulevard de la Woluwe, Brussels, Belgium. Tel: 3.88.00. ALL CARRIAGES ARE GUARANTEED'.

Advertisement for William Lawson's Scotch Whisky. Text includes: 'Speed of Light', 'William Lawson's Light Scotch Whisky was first enjoyed over 120 years ago by people who should know more about Scotch than anyone.', 'The Scots themselves. So it shouldn't surprise you to find that its light and mellow taste goes down splendidly with your friends. Remember they've never had anything like William Lawson's Light Scotch before. Maybe they're just making up for lost time.', 'WILLIAM LAWSON'S PURE SCOTCH WHISKY', 'PRODUCT OF SCOTLAND', 'WILLIAM LAWSON (WHISKY) LTD. COASTGARDEN, DUNDEE, SCOTLAND', '100% SCOTCH WHISKY', 'DISTILLED IN SCOTLAND AND BOTTLED IN THE UNITED KINGDOM UNDER GOVERNMENT SUPERVISION'.

Advertisement for FREDDY perfumes. Text includes: 'FREDDY PERFUMES', 'GLOVES - BAGS - GIFTS', '10 RUE AUBER, PARIS', 'SPECIAL EXPORT DISCOUNT', 'Phone: RJC. 74-04'.

Advertisement for MICHEL SWISS. Text includes: 'MICHEL SWISS', 'PERFUMES - GLOVES - BAGS - GIFTS', 'SPECIAL EXPORT DISCOUNT', '10 Rue de la Paix - PARIS', 'Tel: 071.22.22'.

Telescoping History

President Nixon's intended visit to mainland China has been hailed—with justice—as spanning a gap of two decades, nations numbering hundreds of millions, separated by half a world and by wide divisions of culture and ideology. It is, indeed, a historic event.

Yet perhaps one can find a somewhat different perspective on the matter in the appearance of a stone-age tribe from southern Mindanao, in the Philippines, on television. Here a gap was bridged over many centuries, possibly many millennia; here is a people—scant in numbers, to be sure, but still a people, past whom countless years have flowed, a vast technology developed, and many, many historic events exploded, while they remained isolated in their dark rain forest.

For anthropologists, this gentle folk constitute an unimagined treasure, a human Pompeii. How were they cut off from the main stem of the peoples whose language they speak? What light can their existence, their traditions, cast upon the mysteries of that great migration across the Pacific from Asia? Is their present way of life a simplification of some older, more elaborate, culture? Are there other bands like theirs, still aloof in the Tassaday Forest?

For the rest of the world, the Tassaday—all 24 of them—are a reproach and a challenge. The tribe has no enemies—except snakes. They have no leader; common projects are discussed in a jungle variant of town meeting; they display no aggressiveness; no sense of "territory." They are the simple savages of Rousseau, the romanticists—and the anarchists. And, at the same time, they

are threatened by the advance of "civilization"; they have been made acquainted with steel, and sharp steel can cut many things.

Many wars raged around the unsuspecting Tassaday. They did not know the galleons of Spain, or piratical pros. The greatest naval battle in history did not stir a leaf of their sheltering forest, and if far-flying planes from the Pacific war flew overhead, they do not seem to have been aware. But now other people in Mindanao are coming closer, cutting clearings in the rain forest, upsetting that balance that sustained the Tassaday. The "fatal impact" of a newer world, that weakened or destroyed so many Pacific cultures, has caught up with these true children of nature.

Few will rank the advent of newspapermen, television cameras and government officials among the two dozen Tassaday as the equivalent in history with Dr. Kissinger's conversations with Chou En-lai. We have telescoped history; when "now" is juxtaposed with "then," two decades seems an epoch, and it is hard to equate the discovery of 24 Tassaday with the re-discovery of more than 600 million Chinese, or the gift of bolo knives to primitives with negotiations that temper the threat of worldwide nuclear destruction.

Yet a proper concern for the welfare of the Tassaday, and for the values—to them, and in terms of enlightenment for others—of their lean, skinned culture, is the same kind of concern that should underlie discussions between Mr. Nixon and the leaders in Peking. In the threatened microcosm of the Tassaday rain forest one can see the endangered macrocosm of mankind.

Outward to Peking

If Mr. Nixon had revealed he was going to the moon he could not have flabbergasted his world audience more than by announcing that Henry Kissinger stole into Peking recently and arranged for the President himself to visit the People's Republic of China sometime before next May. It is very nearly mind-blowing: China, so long considered the least accessible place, personally and politically, to Americans, has become accessible not just to American ping pong players but to an American President. No President of the United States has visited the People's Republic, and none, what is more, has ever announced an intention to visit a country with which the United States has no diplomatic relations.

And Mr. Nixon, after all, is not just any President: He is, by his past record, the most ardent anti-Communist of them all, a man who built a large part of his political career on accusing other Americans of "losing" China. Now he has undertaken personally to "recover" it in a mission which, even in anticipation, marks an historic effort to turn from confrontation with the last Communist state outside the international establishment, to negotiation; from containment of China, to conciliation; from the concept of world affairs as the preserve of certain chosen states, to the concept that world affairs are the prerogative and responsibility of all countries in the world.

This is the transformation presaged by the Nixon-Chou meeting. It obviously will not mark the end of conflicts between states but it may be the end of the cold war in the sense that state conflicts are henceforth to be regarded as natural and manageable, not as ideological and irreconcilable. It is a momentous development and we commend Mr. Nixon for the American contribution to it.

That Mr. Nixon saw fit to arrange and announce this "journey of peace"—and smack in the middle of "Free China Week" sponsored by the anti-Peking Committee of One Million—is perhaps the best evidence that the American public as a whole is ready to regard China as a prospective world colleague, not just as a menace. Many Americans have been ready for a long time, of course; Mr. Nixon's gesture should calm, or at least muffle, most of those who are not. His own record on China should protect him against domestic attack on his right flank. No Democrat or certified "liberal," it seems safe to say, could have moved as fast. This is important for Mr. Nixon's own political fortunes—as surely as November follows May—and for the unity of the country.

The most immediate foreign-policy impact is to be sought in Vietnam. Just as Mr. Nixon's acceptance of a "journey for peace" to Peking signifies an intent to assure China that American involvement in Vietnam is fading, so Premier Chou En-lai's hospitality signifies China's acceptance of such an assurance. It is inconceivable that Mr.

Nixon could make a trip under any other circumstances. Moreover, this is not the only recent sign from Peking. On July 4, China for the first time endorsed a specific Vietnamese settlement proposal, the Seven Points, instead of simply urging Hanoi and the Viet Cong to continue fighting a "protracted people's war." And earlier last week it indicated to a visiting Australian politician a willingness to attend a revived Geneva conference on Indochina.

While the United States was building its huge involvement in Vietnam in the 1960s and justifying it in part as a check on Chinese "aggression," Peking could hardly avoid regarding the United States with the utmost seriousness and alarm. But now China's intent seems to be to assure itself a role in an Indochina settlement, and in the postwar Asian scene. This does not mean—though doubtless Hanoi, traditionally leery of Peking, will wonder—that Peking plans to sell Vietnam out for the sake of Sino-American harmony. But it probably does mean that China is prepared to work out, with the United States and others, the shape of Asia to come.

In his statement Thursday evening, Mr. Nixon wrapped opening and closing remarks around the text of an announcement which was issued simultaneously in Peking—the first joint Sino-American announcement, by the way. It reported on the invitation to Mr. Nixon and then said: "The meeting between the leaders of China and the United States is to seek the normalization of relations between the two countries and also to exchange views on questions of concern to the two sides." There is only one basis on which Peking would seek normalization of relations—everybody knows this—and that is if Washington recognized its claim of sovereignty over Taiwan.

Such recognition would not mean abandonment of the American treaty commitment to defend the Nationalist government on Taiwan against "armed attack"; hence Mr. Nixon's assurance that "our action in seeking a new relationship with the People's Republic of China will not be at the expense of our old friends." But it could mean an American decision to accept the idea of one China, with Peking as its capital. Despite popular belief to the contrary, this is all Peking asks of the United States. It has not demanded that the security treaty be renounced or that the United States physically hand over Taiwan. It has said that the modalities of "liberating" Taiwan could be arranged among the Chinese themselves.

It is conceivable then, that in Peking and in the United Nations' China-admission debate which will take place before his trip, Mr. Nixon may finally be swinging the United States into a posture that will allow it to fulfill its defense obligation to Taiwan and at the same time to open up a "normal" political association with Peking.

THE WASHINGTON POST.



An Enormous Stride to China

By C. L. Sulzberger

ROME—Announcement of President Nixon's eventual Chinese visit dramatically underlines the extent to which the United States is now re-examining Far Eastern policy. The current reappraisal began this summer with signature of an accord returning Okinawa to Japan, the steady decline in tensions between Washington and Peking, and a series of visits to the Orient by leading American officials, including Secretary Laird, Vice-President Agnew and Mr. Kissinger.

The Kissinger trip produced an impression that the greatest immediate danger to peace lies in steadily worsening India-Pakistan relations and the possibility that war might explode between these South Asian neighbors, respectively supported by Russia and China. This could destroy Washington's effort to create a new international equilibrium improving relations with Moscow while developing fresh contacts with Peking.

The ultimate implication of changes now under way is a new relationship between the U.S.A. and China on the one hand, and with Japan on the other, a relationship that would have to be balanced by closer ties between China and Japan as well. To accomplish this kind of power triangle it is evident that Washington is pressing Tokyo to assume a far larger burden of its own and regional defense than it has so far been willing to carry.

It is against this background of a trend toward dynamic changes in the Far East, changes that may be gradual but that will be of profound significance, that one must read a forthcoming book entitled "Re-Making China Policy: U.S.-China Relations and Governmental Decisionmaking." The work, to be published next month, is by Richard Moorsteen and Morton Abramowitz, a Rand Corporation consultant and a U.S. Foreign Service officer, Britain's Institute for Strategic Studies has just published in its magazine Survival an excerpt entitled "One China, but Not Now—a Proposal."

The essence of the argument presented is that the Taiwan issue cannot be settled swiftly and its ultimate solution must be based on accord among Peking, Washington and Tokyo—plus, of course, respect for the ultimate desires of the Taiwanese population.

Taking into account a continuing rise in the prestige and power of post-war Japan, the authors say: "Most Japanese would be very uneasy over an accommodation that threatened to turn Taiwan over to the mainland at an early date. Japanese feelings derive mainly from a large and growing economic stake and from emotional ties from their occupation of Taiwan."

A forecast They forecast that, "as time passes, the problem of Taiwan will become less one to be dealt with between the United States and China alone and more a triangular problem with declining freedom of action for all parties." This forecast is given additional weight by American withdrawal from Okinawa and encouragement for increased Japanese defense responsibilities.

Moorsteen and Abramowitz insist that "it is not in Peking's power to get what it wants now. Today's policies, therefore, must focus on increasing tomorrow's prospects."

"Realistically, very small steps now are as much as Peking can expect. The United States can try a few small steps in this direction without committing itself to any final outcome. In this way, Peking's reactions could be tested... our answer could only be that future movement hinges on Peking's future conduct—both with respect to our other interests and in making reunification more acceptable to the people on Taiwan..."

"A more flexible leadership in Peking could adopt a policy of 'small steps' toward reconciliation, in the pattern now used by West Germany toward East Germany. If the United States and Japan have both positive encouragement and reassurances, a future regime on Taiwan might ultimately find both the confidence and motivation to respond—cautiously, selectively and guardedly, to be sure."

Bucharest vs. Moscow

By Rowland Evans and Robert Novak

BUCHAREST.—Romania's diplomatic offensive among enemies of the Soviet Union, particularly Communist China and the United States, is partly rooted in the desire for allies far from the Soviet Union, but probably more important is its search for commercial partners to reduce dependence on Moscow.

That explains the passionate debate now going on inside the Communist parties of all the Eastern European states on the Soviet party's definition of the explosively controversial word "integration."

In discussing plans for the meeting scheduled here later this month of Comecon, the Moscow-dominated economic planning organization designed to integrate the Soviet and Eastern European economies, top Romanian trade officials and middle-level party leaders turned on the neon lights when asked about Moscow's hard sell for economic "integration." "Integration," exclaimed one leading trade official of the government, "that is an explosive word."

The reason it is so explosive is that, as defined by Moscow, it threatens Romania's growing economic independence of the Moscow-East European bloc, which is now on a slow but steadily increasing rate. The suspicion here is that the Soviet Union will use the Comecon session to try to nail Romania much more tightly into long-range trading relationships with itself and Eastern Europe, thus halting the trend toward commercial deals with the West and Communist China.

The doctrinal line laid down by Ceausescu, diametrically opposed to Brezhnev's idea about integration, claims "the inalienable right of each Communist party to work out independently its own revolutionary tactics and strategies in its own programs and political line."

When Ceausescu authorized that statement in Lupu de Cissa, the Romanian party's theoretical organ, he meant it. Thus, Romania refused for months to join a new Comecon instrument called the Investment Bank. It held out for a new clause requiring unanimous agreement on all "important questions," a protection against being overwhelmed by Moscow. Only when the charter was amended did Romania sign.

Semantics To Romania, "integration" means restriction. While Moscow demands tight control of its satellites through the device of "integration," Romania is making joint-venture deals with the West (it is about to open commercial offices in San Francisco and Chicago) and late last year negotiated a line of credit with China worth almost \$900 million. It is seeking substitutes for Soviet-bloc raw material imports in such unlikely places as Algeria (iron ore) and India (coal). Bucharest overflows with commercial agents from abroad, led by hordes of smiling Chinese.

The China deal alone led one Western expert here to predict to us that Romania is close to achieving economic independence from Moscow, but that forecast overlooks one cardinal fact: the lack of Black Sea port facilities at Constantza to handle anything like the volume of deep-water imports that would be required for real economic independence.

Accordingly, even though one trade official here told us that "our economy is now insulated against disaster" (the result of a possible raw materials squeeze from Moscow), the real test of that insulation lies ahead. It will come late this month when Moscow tries to button Romania more tightly into its own economic orbit, using the weapon of economic integration to force political orthodoxy.

A Silver Cloud, A Black Lining

By Joseph Alsop

WASHINGTON—President Nixon's immense forward step with the Chinese Communists can only be called a bright silver cloud with a very black lining. Fortunately, the black lining does not concern the U.S. at least immediately. The President has been both shrewd and wise.

But the black cloud is there, nonetheless, in the form of deep fear in Peking. What has happened is clear proof, in fact, that Chinese Communist leaders like Chou En-lai are now deeply, viscerally alarmed by the ever-mounting Soviet military buildup on China's northern frontier.

Failure to foresee this Soviet build-up's impact on Peking has in turn made perfect fools of a lot of people. Dr. John K. Fairbank and his ilk, for example, have recently been leading an unceasing chorus. They have been intoning that the U.S. really had to "blow" the Communists down the drain in order to have good relations with the Chinese mainland.

The more left-wing Senate Democrats, always eager to sacrifice any American ally, have also punctuated the Fairbankian chorus with many a fervent "Eh-lai-hai!" Until a year or so ago, moreover, relations with the Chinese Communists really did seem to be impossible, while the U.S. continued to have relations with the Chinese Nationalists.

Yet the President was able to say, last Thursday night: "Our action in seeking new relations with the People's Republic of China will not be at the expense of our old friends."

No one at all had foreseen this kind of early result. It was suggested in this space, for example, that the Chinese might make their move in 1972. But all supposed the Chinese would wait for another half year, at a minimum, to see whether the President would give way to the Fairbankian chorus. Instead—if the President was telling the truth about "our old friends"—the Chinese have given way now, without delay or haggling!

It is precisely this that makes the lining of the silver cloud so very black. It means that the Chinese Communist leaders think it urgent, even desperately urgent, to take out every possible insurance policy against a Soviet attack. For the Chinese Communists, relations with the

U.S. are primarily such an insurance policy. There have been other signs of this Chinese sense of urgency. They have already begun deploying a small number of their earliest model nuclear missiles. They do so, they have quite liberally trumpeted through newspapers. This is a Chinese attempt—probably a vain attempt—to make their missiles invulnerable to a Soviet nuclear strike.

Sensible Fear It has to be faced, in fact, that what the Chinese fear is a preventive nuclear strike by the Soviets, to destroy the Chinese nuclear capability before it grows too great. That is a hard word to chew on. Yet it must also be faced that the Chinese fear is thoroughly sensible.

By the beginning of this year, the Soviet build-up on the Chinese frontier had reached the level of 45 divisions. The troops had costly permanent installations and supporting units. Large numbers of nuclear weapons, both strategic and tactical, were also in place.

If you add the logistical and supply units to the combat units, the Soviet manpower on the frontier is therefore around 800,000 men. Not long ago, Chou En-lai put the figure at a million men in a private talk with a foreigner. But Chou was probably including the Mongolian Army, which is a mere dependency of the Soviet Army.

Furthermore, all this Russian buildup has been mainly deployed over a two-track rail line, the Trans-Siberian. The right way to think of what the Soviets have been doing, in truth, is to ask yourself what it would cost this country to put 900,000 men into Alaska!

The first cost of such an Alaskan deployment, including supporting investments, has been estimated at \$30 billion. Add the maintenance cost of such a large force over a long period. You then have a bill no sane government would pay without being conditionally ready to use the force in question.

Obviously, there are a lot of people in the Soviet government who want to put the force to use, perhaps in another couple of years. And obviously, this is why the Chinese want an insurance policy so badly.

Letters

U.S. Press and Vietnam

I hope that some day a record will be written of the role of the American press in the Vietnam war, both at home and abroad. Unfortunately no one was ever able to give us photographs of the Viet Cong beheading village elders to "set an example" to the people of the south; but the Communist press around the world reprinted American photographs of American Marines setting fire to bamboo houses to destroy a village suspected of harboring Viet Cong guerrillas.

The "old China hands" among the correspondents were wise and savvy in the ways of the Orient, but many of the young ones, the "good guys" and "the bad guys," they longed to see President Ngo Dinh Diem as a great democrat, and when he didn't fit the picture they turned against him and wrote only about not delegating authority, lack of freedom, a one party regime, graft, etc., often insisting that many of these situations existed in New Jersey, or Chicago, or Louisiana. They could not understand that Diem was a mandarin, the product of his own society, and ruling a country in Asia.

The American press, probably more than any other element, bears the responsibility of undermining the Ngo Dinh Diem regime. But who will try the press? Who will "uncover" the story?

L.T. REINHARDT.
Woblen, Switzerland.

Nader's Appeal

In reference to the July 14 editorial in the New York Times on the "Democratic Outlook" to many American voters, Sen. Muskie and the President are almost the same thing—nothing. Both the articles have done little to the weary, tormented, bewildering tourists in the midst of the anti-tourist wave and the greed for worldly goods.

WON YONG JI
Geneva.

New Mode

I admire the International Herald Tribune's sense of humor in the make-up of page 6 in the July 13 edition. It showed a photograph of a lovely Dior model swathed in fur during the July heat wave. The photograph was surrounded by an article on the rains with women's rights in the United States. The joke is obvious.

High fashion may still fool a lot of women for some time to come, but, gratefully, that enslavement too is coming to an end. Women have much more to look forward to than this year's or any year's fashion shows.

SEILLA GOLDBERG
Rome.

Tourist Prayer

May we add a note of thanks also to the "Prayer for Tourists" (IHT, July 13) in order to emphasize the prayer?
"We thank you, gracious Father, for the generous people like Mr. Art Buchwald who would present, without demanding a tip, the best of these situations to the weary, tormented, bewildering tourists in the midst of the anti-tourist wave and the greed for worldly goods."

WON YONG JI
Geneva.

57 Are Arrested

Exodus of Hippies From Ibiza, Police Fire in Air During Clash

IBIZA, Balearic Islands, July 18.—Police clashed Friday night with an estimated 300 hippies on this sunny Mediterranean island and arrested 57, including some Americans, after firing shots in the air.

Police said nobody was injured by the gunfire. But some hippies alleged that two of their number were wounded by shots. Several minor injuries were reported in hippie-police clashes.

Since Friday night, a mass exodus of the hippies has been under way. Several hundred of them were estimated to have packed their bags and fled the island.

About 50 other hippies were reported to be hiding in pine-covered hills and in caves along the coast.

A police spokesman said today that among those detained were hippies from Britain, the United States, Canada, Holland, France and West Germany, as well as one Spaniard from Majorca.

Police clamped silence on the incident in which shots were fired, but the clash appeared to spell an end to Ibiza being an anything-goes place for hippies whose displays of nudity in public, drug-taking and unabashed lovemaking have irritated villagers and foreign tourists.

The confrontation began Friday when a California hippie, 44-year-old Robert (Blind) Bob) Berge, wearing flowing robes and carrying a white stick in one hand and a cross in the other, led 300 followers, including many Americans, to the village of Santa Eulalia del Rio for what he said was to be a birthday celebration.

There are conflicting reports on what happened next. The official Spanish news agency Cifra said the hippies took over the tranquil fishing village for several hours.

The local police, vastly outnumbered, called in reinforcements from other towns, including the island capital, and succeeded in beating them back.

Cifra said the hippies marched on Santa Eulalia after police evicted some of them from a nearby farm following complaints that they had trampled the fields, defecated in the wells, stolen fruit and wantonly displayed their nudity.

The hippies themselves and tourists who watched the clash gave accounts that differed from the Cifra story.

Mr. Berge, who is called Blind Bob because he has only 10 percent vision, said the birthday celebration was intended to be peaceful.

"I led my people into a bar, but the owner said he could not cater for so many," he said. "We bought wine and went to a nearby piece of wasteland where we sang and danced. Suddenly, a hose pipe was turned on us."

But the bar owner then invited the hippies back into the bar, but half an hour later a busload of 30 police arrived.

Tourist onlookers said the police fired warning shots into the air and ordered everyone out. Spanish newspaper reports confirmed that warning shots were fired.

"I saw about 20 young people beaten senseless," a British tourist, James Ferguson, 29, of Brighton, said. "It was horrifying to watch. One hippie who tried to escape by climbing over a wall appeared to have been shot down by gunfire."

Other tourists also alleged police roughed up several youths, including girls. Fifty hippies were lined up and handcuffed together in the village square before being carted off to a jail.

"There has never been any peace for us anywhere, but nothing like this has happened before," a 19-year-old who escaped the roundup said. "We are all clearing out."

It was the second time in two years that hippies have left Ibiza in a hurry.

In 1969, police cleaned up the island after some hippies, according to Spanish reports, stole skulls from a cemetery, placed them on a beach during a midnight party and danced around them in the nude.

Consular sources said they assumed that no charges would be brought against the arrested, and that they would be quietly sent back to the mainland.

Early McNeely, 31, of Sacramento, Calif., July 18 (UPI)—Early McNeely, 31, a World War II sergeant who died in the 1924 World Series, died Friday at a hospital here.

Nigeria Holds Public Execution For 12 Criminals

LAGOS, Nigeria, July 18 (AP)—Army firing squads in three cities publicly executed 12 convicted armed robbers yesterday as part of the government's crackdown on crime.

In Ibadan, 20,000 watched as two men were shot for hijacking a taxi and threatening the driver. In Akoka, four men were executed for robbing a woman last September and two others for taking money from a man in November. Six other men were shot in Benin for armed robbery last February.

Death by firing squad for convicted armed robbers was ordered by Nigeria's military government soon after the country's civil war ended in January, 1970.



GRACEFUL LADY—In Chicago to champion breastfeeding, Princess Grace of Monaco told applauding mothers that it was the best way to encourage family unity and help fight "the current wave of public indecency." The former movie star criticized films, television commercials, magazines and other media for "debasement" values and urged renewed emphasis on the mother-child relationship to combat such influences. Tapestry in picture was hung especially for her appearance.

Persian Gulf States Set Up A Federation

DUBAI, July 18 (Reuters)—Rulers of six of the seven Trucial States on the Persian Gulf agreed today to establish a federation of their Arab emirates aimed at ensuring political and economic stability after Britain's military withdrawal at the end of this year.

The adoption here of the constitution for the new federation by the six rulers represents a major breakthrough in three-year-old attempts to knit the small gulf sheikhdoms into a viable union able to undertake its own defense.

Following Britain's announced intention in 1968 to withdraw militarily from the gulf, whose bordering states provide more than 60 percent of West Europe's oil needs and 90 percent of Japan's, efforts began to form a federation of all nine gulf sheikhdoms, comprising Bahrain and Qatar as well as the Trucial States.

But in face of differences over the constitution, the larger states of Bahrain and Qatar are now expected to proceed to full independence, and the seventh Trucial State of Ras al-Khaimah today declined to sign the new constitution.

The compromise federation of six will have a total population of about 1,000,000 and will be dominated by the oil-producing states of Abu Dhabi and Dubai, whose combined annual oil income is more than £150 million.

The other four members of the federation are Sharjah, Ajman, Umm al-Qaiwain and Fujairah.

Britain has had special treaty relations with the gulf states for 150 years, exercising responsibility for their defense and foreign affairs and some internal administrative tasks.

The announcement of agreement on the constitution came after a week of discussions here among rulers of the seven Trucial States, Bahrain and Qatar, which are not Trucial States and are in different treaty relations with Britain, were not represented.

Conference sources said the announced agreement on a federal constitution still left the door open for the three other gulf states to seek membership in the union if they wished.

Only Ras al-Khaimah, located at the gulf entrance near the Strait of Hormuz, was thought likely to pursue this offer.

Sources said Ras al-Khaimah declined to accept the constitution after it was refused veto powers equal to those of Abu Dhabi and Dubai in the Federation's Supreme Council of Rulers.

A communiqué said a further meeting would be held in neighboring Abu Dhabi, probably next month, to adopt legislation for the federal judiciary and discuss executive appointments.

The union's first president is expected to be Abu Dhabi's ruler, Sheikh Zayed bin Sultan, with Dubai's ruler, Sheikh Rashid bin Sa'ad al-Maktoum, as vice-president.

Italian Rail Unions Cancel 1-Day Strike

ROME, July 18 (Reuters)—Italy's railroad unions today called off a 24-hour national strike scheduled to start tomorrow night after obtaining a government promise to increase the number of railway workers by 11,000 men.

The strike had threatened to disrupt vacation plans for millions of Italians and foreigners.

An investigating judge ordered the imprisonment of the special train's engineer and his assistant on suspicion that they entered the station without obeying a red light.

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British Order To Cut Taxes Is Due Today

LONDON, July 18 (NYT)—Government measures to stimulate the lagging British economy are expected to be announced tomorrow by Chancellor of the Exchequer Anthony Barber, official sources indicated.

The measures are expected to take the form of easier terms for installment buying and reductions in sales taxes on a wide variety of goods from automobiles to jewelry. Such changes can be accomplished by administrative order.

The impact is expected to be mildly deflationary. Following on this week's announcement of a \$24-million public-works program in England, Scotland and Wales, the new measures are intended to hasten Britain's recovery from its economic slump.

Political analysts are already offering two interpretations of the government's action.

One view is that although the lower taxes and higher allowances announced in Mr. Barber's March 31 budget are just now coming into effect, the government is conceding that its whole strategy was misplaced.

In other words, the economy was in a deeper recession last spring than the government realized at the time. Therefore, fresh measures are needed to supplement the stimulus of three and a half months ago.

Another interpretation is that the government is trying to reduce prices, with the purchase-tax cuts, and unemployment to appeal to public opinion as a factor in the campaign for joining the Common Market.

The Labor opposition has been arguing that the Conservatives have made such a mess of the economy since they came to power last summer that Britain could not afford Common Market membership. Opinion polls show deep public concern over prices and the number of jobs.

But a law can be submitted to the Constitutional Council by the president of the Republic, the premier, the speaker of the assembly or the president of the senate. This was done by Alain Folber, the president of the senate, a centrist who opposed President Pompidou in the 1969 elections.

The declaration of unconstitutionality followed.

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Athens Says NATO Pact Binds U.S. to Military Aid

ATHENS, July 18 (NYT)—The military-backed Greek government asserted yesterday that U.S. defense aid to Greece was an obligation under binding decisions of the North Atlantic Treaty Organization council.

Christos Xanthopoulos-Palamas, the Greek under secretary for foreign affairs, told newsmen that Athens was not "interested" in the U.S. House Foreign Affairs Committee's vote to ban military aid until democracy was restored in Greece.

"Basically," the official said, "we are interested in U.S. decisions on the matter, but not in internal American procedures. . . . We are interested in knowing whether the U.S. will continue to respect NATO council decisions on the imperative need to grant military aid to Greece."

The official explained that NATO council decisions fixed the precise nature of military equipment supplied as aid to Greece and Turkey. Decisions of the North Atlantic Treaty Organization, he said, were as binding as international undertakings.

The under secretary's confident tone contrasted with Premier George Papandreu's sharp reaction Friday against the congressional group's decision to stop aid until free elections are held in Greece, where political rights have been suspended since the 1967 military coup.

The premier said elections would be held only at the government's pleasure—"tomorrow" in 20 months or in 20 years. "In the whole earth," he added defiantly, "there is not enough gold to make us sell out the interests of the nation and endanger its survival."

20 Japanese Miners Killed In Explosion

SAPPORO, Japan, July 18 (UPI)—An underground blast apparently caused by gas leakage ripped through a coal mine northeast of here yesterday on Japan's northernmost island of Hokkaido.

Police reported 20 bodies of workers had been recovered. Ten miners were still trapped 13 hours after the accident.

All the dead appeared to have been killed by methane gas.

Best thing after "escargots"

or frog legs with garlic, or roquefort or any of those French meals you enjoy here. Listerine, the well known mouthwash you use at home. Available in french pharmacies. Listerine.

Shipowner's Offer
ATHENS, July 18 (NYT)—A leading Greek shipowner has offered to donate \$3 million for the national defense.

Fire in Belfast Kills 3

BELFAST, July 18 (AP)—Three persons—two of them Canadian tourists—died in a fire which swept two floors of a Belfast hotel early today.

3 Kentucky Miners Die
ASHERS FORD, Kentucky, July 18 (UPI)—Rescue workers yesterday found the bodies of three coal miners killed by a slate fall in a mine here owned by the Halmar Coal Co.

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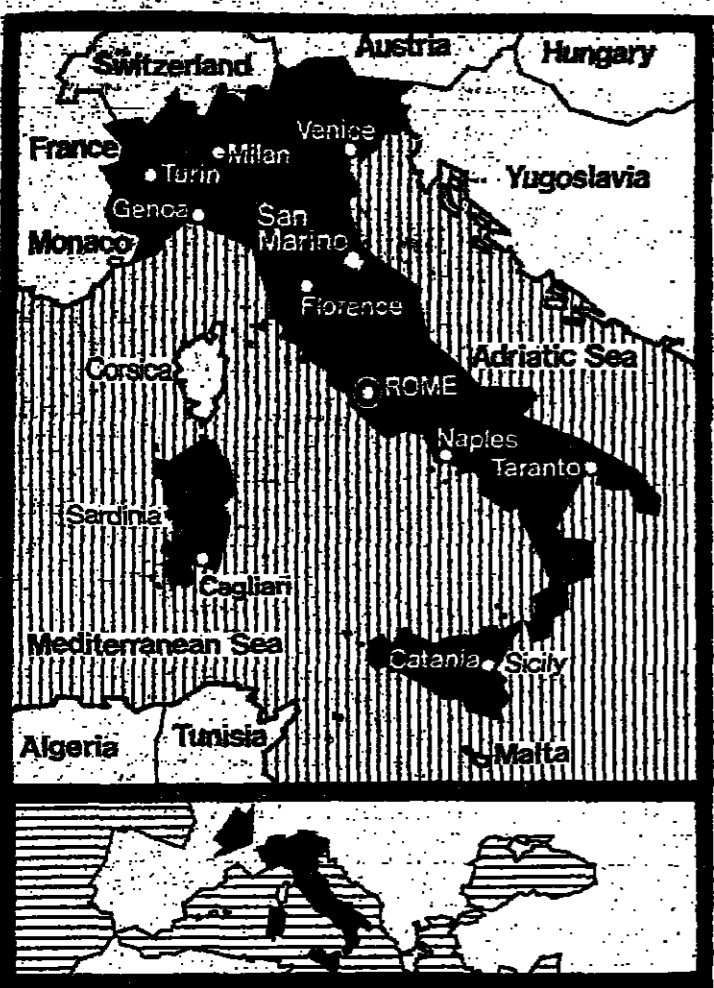
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A Special Report on... The Italian Economy

'Italy is reaching or has reached a low point, and things must soon reverse themselves... Toward fall things should look up again.'

An American Investor

Output Falls as Labor Battles Management

ROME—The constant looking of horns that has characterized labor-management relations in Italy during the past year, and the subsequent walkouts by workers, has brought Italy to the brink of a recession, many observers feel.

Earlier this month, the Italian Minister for State Participation, Flaminio Piccoli, told a group of legislators, "The economic situation is currently at a low point never reached before now."

due to strikes than the other EEC members. And in 1969 it set a record of 3,013 days lost per 1,000 workers, about 13 times the total amount lost by the other member nations.

cost of these phantom workers at about \$24 million annually. There are many theories on the causes for this sharp increase in absenteeism.

ROME—In spite of a production crisis that has thrown the Italian economy into its deepest and most sustained postwar slump, there is widespread conviction here that the decline has bottomed out and recovery is nearby.

Even Budget Minister Antonio Giolitti, a Socialist, has laid a major share of the blame for Italy's present economic crisis squarely on the shoulders of labor and union activity.

At Fiat, Italy's largest private industry, absenteeism on the assembly lines averaged 12.5 percent in 1970 compared with an average of 4 to 5 percent three and four years ago.

Whatever the cause, the result is another blow to industrial production and another boost to the already rapidly rising cost of labor in Italy.

Italy's big tourist industry, while not seriously declining, seems to have lost its steam. Resort hotels along the Adriatic coast report slackened bookings for the first time in years.

It is generally agreed that what is needed is a change in the prevailing mood of political and social uncertainty in Italy. Businessmen weary of mounting costs and declining profits, have increasingly shied away from new enterprise, and there are no clear signs that this widespread cautiousness is to change.

The South: Mezzogiorno Incentives Are Sweetened

By Stuart Troup

ROME—The sweet scent of tax incentives and state grants, along with the natural resources of space and manpower indeed have been alluring to industrialists in Italy's underdeveloped South.

Investments of between 100 million and 400 million lire (\$166,000 to \$670,000), if they are made in areas designated as particularly depressed, will be eligible for the 30 percent grant, along with financing of up to 50 percent.

Hotels' Woes
Italy's foreign trade balance is already deep in the red and getting worse.

Autumn Hopes

While Mr. Giolitti and other government and independent economists have been saying for several months that a true recession has not yet been reached, they also had been counting on a turnaround in the economy during the spring.

Government grants will total a maximum of 30 percent of a project cost and 40 percent for purchase of machinery produced within the Mezzogiorno.

All the loans will be for a period of 15 years for new plants and ten years for expansions and modernizations.

Giuseppe Galli, head of the Italian hotel association, recently proclaimed the tourist industry was in crisis and offered three reasons—labor unrest, pollution and increased prices.

NATIONAL ASSETS—Two key contributors to Italy's underlying basic economic strength are its first-rate highway network, which already compares favorably with almost every area of Europe and which continues to be improved, and its incomparable tourist attractions.

The latest economic indicators clearly show that there was no spring rebound and that if anything the situation has gotten worse.

Here is how the new provisions are outlined in the legislation, whose approval is virtually certain:

Investments of over nine billion lire (\$15 million) will receive a maximum of 50 percent in financing but only 12 percent in grants.

Although Mr. Colombo has succeeded in strengthening the lira and cooling Italy's rampant inflation, his four-party coalition has foundered in its attempt to pass urgent social reforms.

Industrial production in May was 4.5 percent below that of the same month a year ago.

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Giuseppe Galli, head of the Italian hotel association, recently proclaimed the tourist industry was in crisis and offered three reasons—labor unrest, pollution and increased prices.

Mr. Giolitti also pointed out that plant utilization at the end of March had dropped to 78.4 percent from 81.2 percent of a year earlier.

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But while Giolitti cautioned against blaming labor unrest for all of the nation's economic ills, he said that it would be as great a mistake to hold that the present labor struggle isn't having a major negative impact on the economy.

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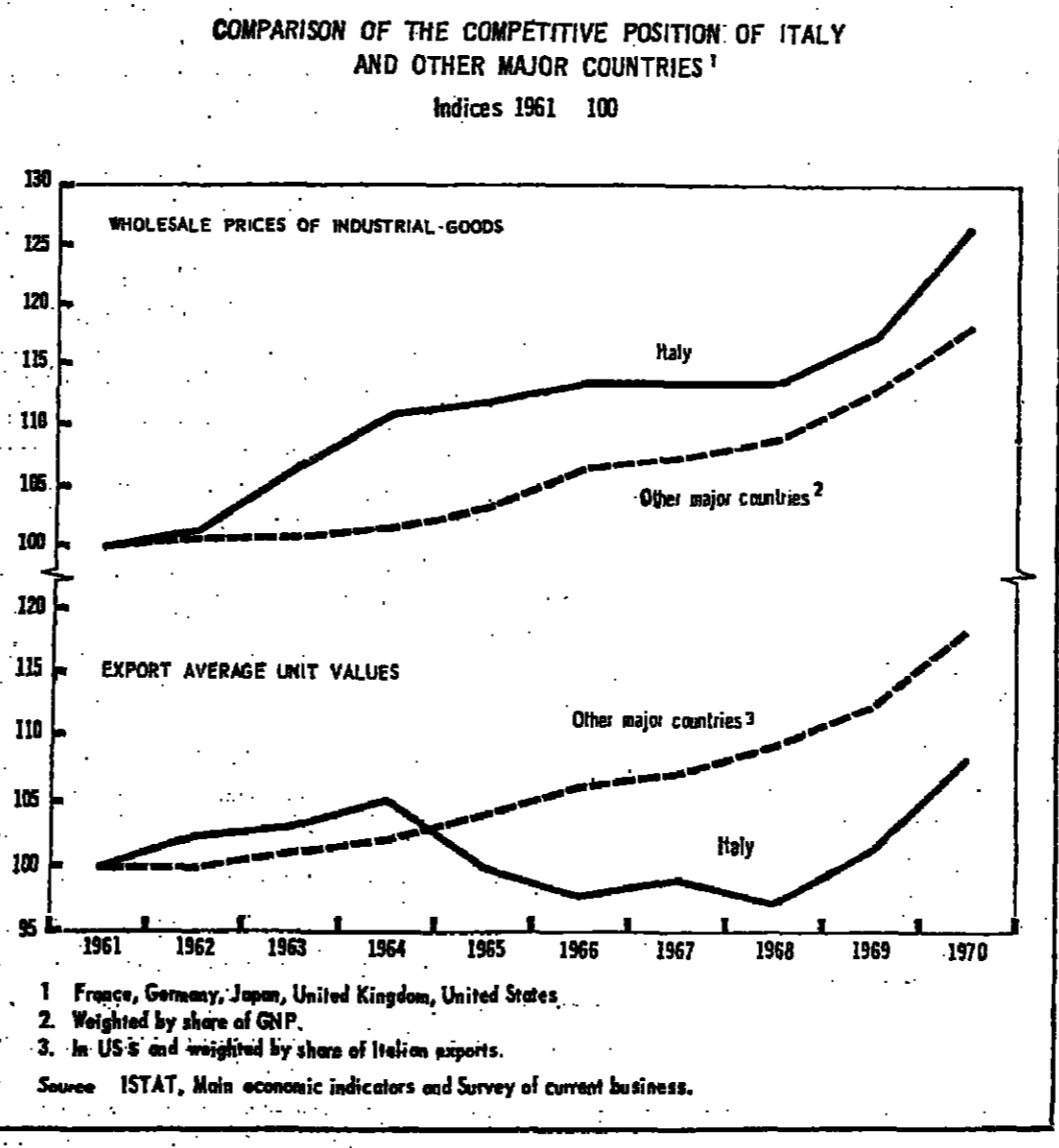
A Comparison

Today's chaotic labor situation is really a continuation of the "hot autumn" of 1969, during which Italy set a record among the six Common Market nations for time lost due to strikes.

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Tourism Loses Steam

Italy's big tourist industry, while not seriously declining, seems to have lost its steam. Resort hotels along the Adriatic coast report slackened bookings for the first time in years.

The Colombo government, in spite of being one of the longest-lived in the postwar period, does not enjoy widespread confidence, mainly because of the decade of its misadventures.

Mixture of Politics

Although Mr. Colombo has succeeded in strengthening the lira and cooling Italy's rampant inflation, his four-party coalition has foundered in its attempt to pass urgent social reforms.

Some have claimed that the alarm over the economic situation is purely a political gambit. Says Vito Scalia, a Christian Democrat who is general secretary of the CISL, trade-union confederation, "The data do not justify this alarm and pessimism, which is being published for obvious reasons: It is hoped to cause panic in all the spheres of the Italian bourgeoisie, to win their support for a reactionary movement."

Nevertheless, figures released by ISTAT, the Italian government statistical institute, paint a gloomy picture of the state of the economy. Overall manufacturing production was down 4.1 percent during the first two months of 1971, compared with the same months of 1970.

Small Businesses

In 1970 over 1,500 small businesses (less than 200 employees) closed completely or were absorbed by others.

Hardest hit had been Italian construction, and within that industry, small and medium-sized enterprises have suffered most.

In the country as a whole, there is fear that unemployment in construction may reach one million. Even the most optimistic estimate, that of Labor Minister Carlo Donat Cattin, foresees 80 to 90,000 men out of work.

The steel industry has fared no better. Officials of Finisider report that in spite of an increase in production capacity, production has fallen off badly, remaining 20 percent below the expected total in 1970 and early 1971.

Italy

Output Falls Because of Labor Unrest

(Continued from Page 7)

months of 1971 were 15 to 20 percent below last year, he said. "The violence and strikes that have recently become the fashion in our nation certainly have not encouraged the foreign tourist," he explained.

He also pointed out that prices in Italy have increased between 10 and 20 percent in the past year, mostly as a result of increased labor costs.

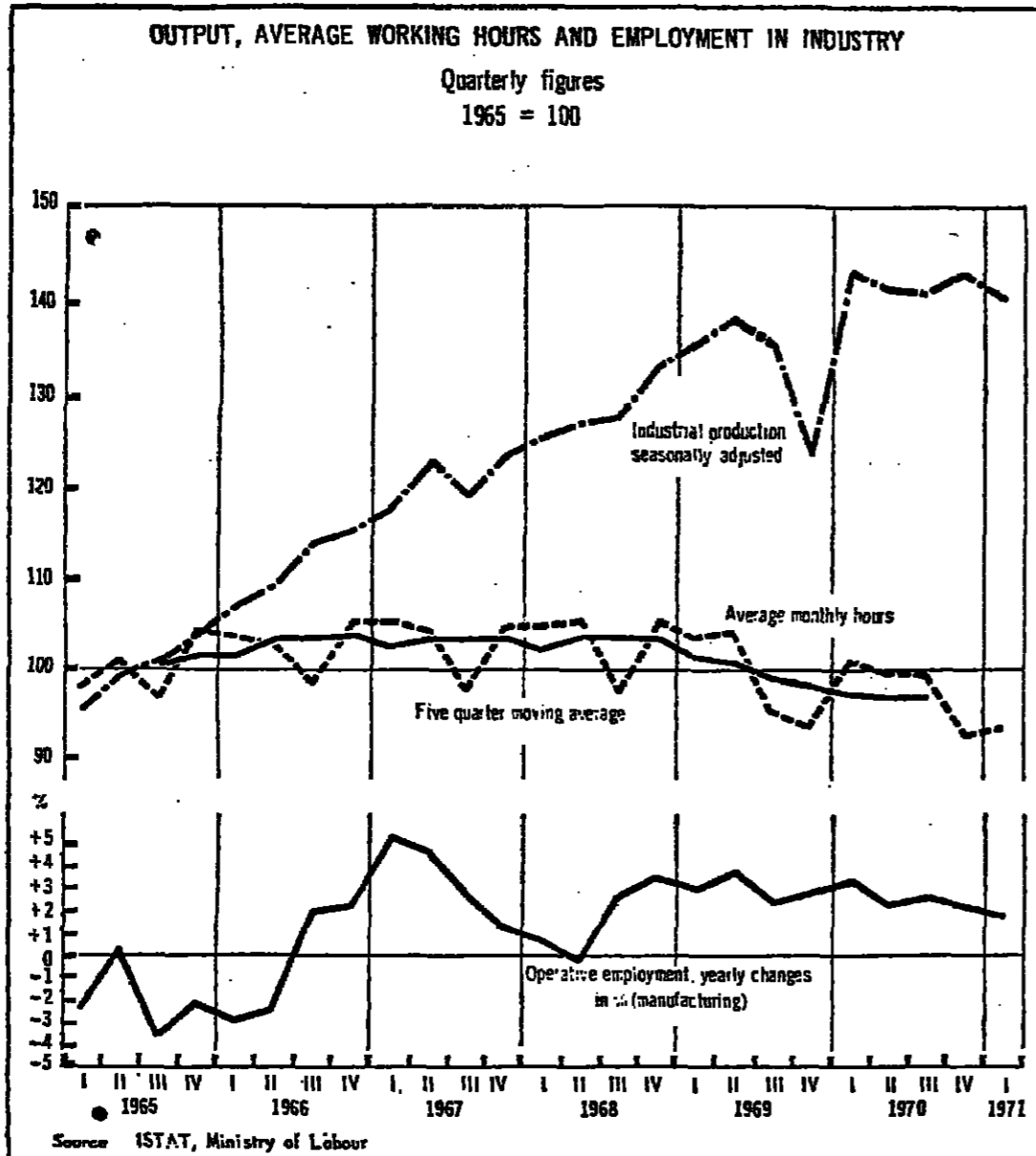
Giuliano Magnoni, president of the Italian Federation of Travel Agents, said recently that Italy has become the most expensive country to visit in the Mediterranean area. He said Spain was 25 percent cheaper than Italy and that Yugoslavia and Greece were up to 50 percent less expensive.

And the nation's 220,000 hotel workers were out again this month seeking higher wages and fewer hours. Labor Minister Carlo Donat Cattin personally stepped in to settle the dispute.

The agreement may cost hotel owners as much as 35 percent in wages for the major hotels and as much as 100 percent for smaller ones. Mr. Donat Cattin has scored one major labor victory this year. Last month, his direct intervention led to a compromise agreement that ended a strike by some 180,000 Fiat automotive workers, which had threatened to develop into a nationwide metal workers' walkout.

Fiat estimates that increased wages and fringe benefits as a result of that settlement will cost about 45 billion lire (\$72 million) annually, but expressed satisfaction with the settlement. The company estimated the unions' original demands would have cost more than double and further reduced plant utilization by eliminating some shift work.

Settlements of this kind have pushed Italy out of the cheap labor market and many foreign investors are now putting their money in countries such as Spain, Portugal and Greece. Attempts by President Giuseppe Saragat and Prime Minister Emilio Colombo to get labor leaders to slow their demands and get back to work to restore production have met with little success. And many observers see little chance for improved labor-management relations in the near future. Unions have never been stronger and seem in no mood to give up any of the power they have gained since 1969. It was only during the "hot autumn" that they discovered they had any.



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The staggered, or "hiccup" strike as it is known, which Italian unions have used with such efficiency, was born because the union had no strike funds and its members couldn't afford to lose more than a few hours wages at a time. It was only later that they discovered that "hiccup" walkouts were just as disruptive to the employer but prevented him from closing completely.

Strikes have seemingly become a way of life in Italy and the unions have raised their sights from simply winning direct economic gains for their members to pressuring an inefficient government for more low-cost housing,

better medical care and other social services.

Unfortunately, it is doubtful that without such pressure the government would be moving toward resolving these problems. Therefore, many union leaders, even the more moderate ones, have taken the attitude that their strikes are doing the nation more good than harm and they see no reason to curtail them.

The problem could become more acute if the three major unions agree to merge—a possibility they are discussing now. Italy's second largest union, the two-million-member CISL, recently officially came out in favor of such a move. This Christian-Democrat-orientated union, until 1969, had been opposed to a merger

with the Communist-led CGIL and the Socialist-Republican UIL for fear that the larger CGIL, with 2.5 million members, would gain control of the new labor body.

The unions are already a strong political force in Italy. Merged into a single body, they could paralyze the nation with a single strike call.

In his discussion with the budget committee of the Chamber of Deputies, Minister Piccoli noted this fact and appealed to the unions to balance their demands against the needs of the nation. He warned that if the present economic system based on free competition had neglected too many social needs "it is not by destroying that same economy that one increases them."

Despite a Deep Slump, Hopefulness Remains

(Continued from Page 7)

sion can be reduced," he said, citing the loss of 18 million work-days in 1970. "We can't permit ourselves the luxury of going on like this. After two years of squabbling, we must find some point of agreement between management and labor, to give back to our country its supremacy in European productivity."

Labor Costs Climb

Labor costs in Italy jumped an average of 12 percent during 1970. Industrial salaries rose a minimum of 11 percent in sectors where labor contracts were not up for negotiation, to 21 percent in others. They rose 27 percent in some metalworking plants, and 33 percent in parts of the chemical industry.

Prices during the first two months of the year increased 3 percent, a figure which had been established as the maximum acceptable for the entire year.

"And people buy less," says Giuseppe Orlando, president of the Milan Merchants' Organization. In the food sector in January, compared with the preceding year, sales were down 2.5 percent. Meat sales fell by 6 percent, and clothing by 2.5 percent.

The wholesale price index jumped 5 percent in the first two months of 1971, and the consumer index went up 5.1 percent, according to ISTAT. Labor cost increases have also hurt Italy's competitive advantage on foreign markets. Fiat cars, for example, have jumped almost 30 percent in price in England and France in two years.

Both Fiat and the huge Zanussi appliance company signed major contracts with unions in June, but a series of nagging strikes by the country's 180,000 hotel employees, and walkouts by rail and textile workers have clouded the hopes of officials seeking a healthier atmosphere of labor relations.

Many observers saw the big gains made by right-wing politicians in recent regional and city elections as a slap at union agitation that should cool down labor's demands.

The unions say they have been forced into assuming a widened political role because of the ineffectiveness of political parties. They have expanded their field of action from the bread and butter issues of wages and work conditions to the broader plain of social reforms. Nevertheless, the effect of their agitation remains the same: to create a general mood of uncertainty and cautiousness on the part of management.

Problem of 'Disillusionment'

Bank of Italy officials say that it is crucial to conquer the widespread uncertainty felt by investors. (Italian economists have termed the problem "disillusionment of entrepreneurs.")

"It derives from both concrete facts and emotional reactions," said Franco Mattioli, director-general of Confindustria, recently. "It is impossible to utilize completely and rationally existing plants. It is said that costs have become unpredictable, and it's true. A businessman cannot know from one day to the next if the handicap he carries is the same or different from that of others."

Officials estimate that there is available immediately about 3,000 million lire (\$4.8 billion) in liquid capital, needing only requests for financing by companies with good prospects. Why are there no takers?

Reason for the current investor reluctance is the imminence of favorable new tax legislation that would put Italy on a value-added system. Many investors are apparently standing aside to see if the reforms, which would begin Jan. 1, are passed by parliament.

A major fear of investors—in particular foreign capitalists—is that once you go into business in Italy, you can't leave. A

German businessman whose clothing factory near Milan has been occupied intermittently by strikers through the spring says he hopes to move his plant, machinery and all, to Yugoslavia, Poland, or to Czechoslovakia, where labor is less costly and less troublesome. But before he leaves, he will face heavy severance payoffs to most of his 550 employees.

Labor, however, does not carry all the blame.

Renzo Di Piramo, 46, who heads the Cioseco-Veneziano Textile Co., sees structural flaws in his industry, one of the most depressed.

Too Many Small Companies

"There are too many small companies," he says. "The state intervenes with protectionist measures that save them till the last hour, and holds them on their feet even when they are not economical." Inefficient firms and old equipment, he says, should be retired, to put the textile industry on a competitive footing with foreign concerns.

The head of the Bank of Italy, Guido Carli, who during his 11 years in office has had considerable success with "fine tuning" the economy to keep up the brisk tempo of Italian economic growth, said in his annual report that fiscal and monetary measures have lost their usefulness in treating Italy's "wounded economy."

"Political and social uncertainty," said Mr. Carli, "are forcing the economy into a state of permanent alarm." The system is in no condition to react to salary increases with either rapid processing of rationalization or with a large increase in investment; new enterprises are stagnated.

A Bright Spot

One bright spot has been a sharp improvement in Italy's balance of payments situation, which in 1969 was so serious that government reserves fell by \$1.4 billion. But 1970 brought a \$356-million surplus, and the country has registered a \$361 million surplus during the first four months of 1971.

The improvement is due mainly to a sharp change in capital movements. Government restrictions imposed last year on currency flow out of the country account for 85 percent of the cut in capital outflows. In the first half of 1970 "swiss subsidies" took \$66 million out of the country, but when the Colombo government put controls on these re-entry into the country, the figure fell to \$28 million, and Bank of Italy officials see continued improvement.

High domestic credit rates have also meant that less investment has gone abroad. And the boom years of the unit trusts like IOS are over, which means that more money stays home.

The early months of 1971 also saw an improvement in the export/import balance, with exports increasing 12.3 percent, and imports rising by 10.2 percent.

Foreign investors seem wary of investment in Italy. Although the picture is clouded by counterbalancing investment in large industries, there is a reluctance to take chances in the prevailing uncertainty in Italy. One economist said, "There are signs that foreign investors are studying, with ever greater frequency, the possibility of investment in Yugoslavia, or even in Romania."

Many American investors remain optimistic. Says one investment banker, "Italy is reaching or has reached a low point, and things must soon reverse themselves." The elections were very important in bringing a more serious mood about labor questions. Over all, there is reason to believe that the Fiat settlement indicates a willingness to seek reasonable settlements. Toward that, things should look up again."

ENI : THE YEAR OF THE OIL



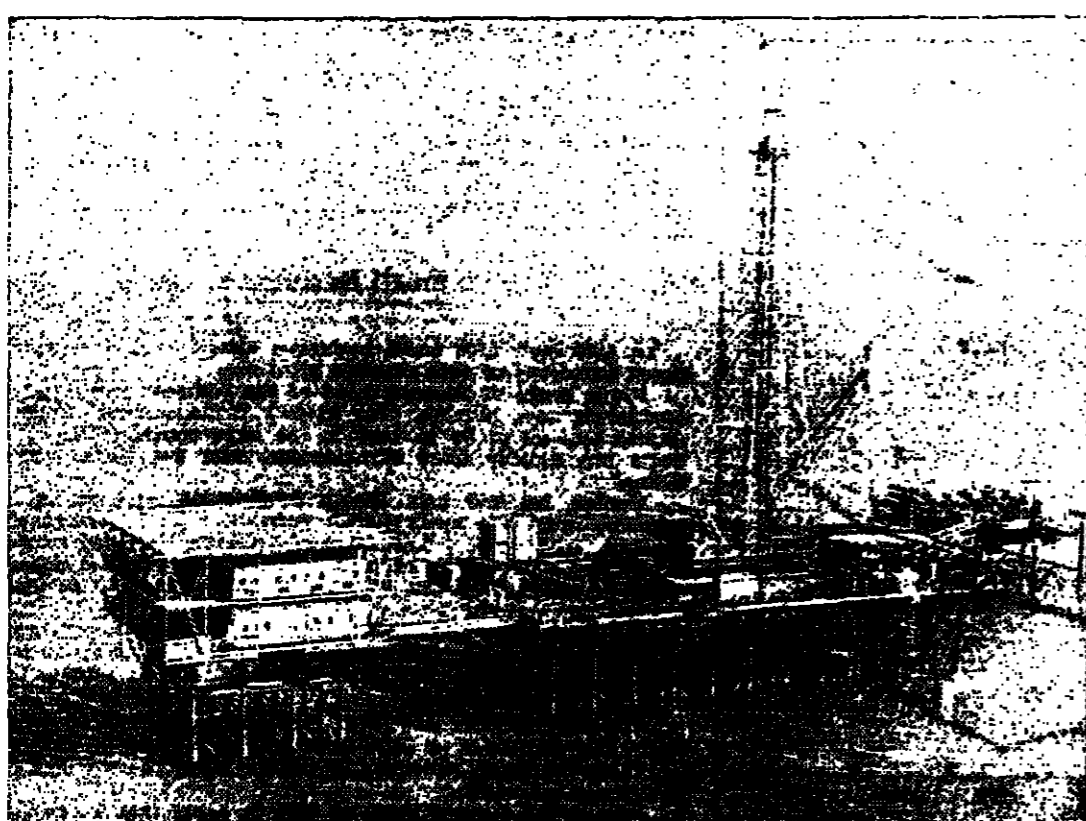
When ENI got started back in 1953 it owned natural gas producing areas in the Po Valley but its oil production was nil, for all practical purposes. So ENI had to go out and look for oil in Italy and foreign countries.

Today the crude oil reserves of the group amount to over 3 billion barrels, by far the greatest part of which are in foreign countries. The group also has about 5 trillion cubic feet of natural gas reserves in Italy.

But the demand for energy is rising rapidly in Italy like in all highly industrialized countries. As a state-

owned company ENI has particular responsibilities in making sure that fuels for the country's needs are available at the lowest possible cost—Italy cannot afford to have its industrial products become uncompetitive on the world market.

While Italy is already a pretty big producer of natural gas, any future potential for increasing reserves will require diligent exploration efforts the outcome of which no one can foresee. ENI is therefore becoming one of the world's biggest importers of this fuel, having already drafted agreements for Libyan, USSR and Dutch gas supplies amounting to some 9 trillion cubic feet in 20 years.



Off-shore platform in the area of Bahrgan-Sar, Iran-Persian Gulf.

In all these considerations on fuel supplies, both cost and reliability of supply are of foremost importance. This is not only true for ENI and Italy, but also for Italy's neighbors of the Western European countries, which together form the world's largest market for imported oil. Each of the countries of Western Europe depend so heavily on imported oil that any disturbance on the world oil market becomes a crucial internal economic problem.

During the recent international oil-pricing negotiations in which the consumer countries did not participate, no guarantees of either price or supply stability were given to those who will have to pay for the oil in the end. Now is the time for them to get together and negotiate directly with producer countries on the bases of their reciprocal economic interests. The consumers need price and supply stability. The producer countries need technical and commercial collaboration for progressive and enduring economic and social development. It would be logical for consumers and producers to meet on a common plane to supply each other's need reciprocally and rationally.

The 12 refineries (6 in Italy and 6 abroad) in which the multinational ENI group has interests used over 208 million barrels of crude in 1970. The group is also readying to build two new foreign refineries (England and Zambia). Demand for products is rising everywhere. So even though the group's production figures are pointing upward sharply in the Middle East, Africa and the North Sea, the search goes on in 21 different countries over an aggregate extension of more than 268 million acres to further diversify sources of production and increase reserves.

To facilitate and expedite exploration over this vast area ENI has made many specific joint venture arrangements with numerous private and national oil companies regarding individual leaseholds.

Although ENI itself is a state-owned holding company its operating affiliates are all stock companies, corporations competing openly for markets in Italy and abroad.

The ENI group is tightly integrated in all sectors of the petroleum industry, from exploration to drilling, refining and marketing, from engineering to plant construction and process control systems, from petrochemicals to rub-

ber, fertilizers, plastics, fibers, textiles and apparel manufacturing. Consolidated gross sales (143 companies) in 1970 were \$2,562 million and fixed assets totaled \$4,676.8 million (51% amortized). New investments in 1970 were over \$725 million and writeoff for depreciation and depletion totaled more than \$304 million. At the end of 1970 group paid-in capital consisted of \$758.24 million from the State (on an authorized appropriations investment of \$1,246.2 million) and \$198.88 million from private stockholders. Long-term debt was \$1,023.2 million.

COUNTRY	% Interest	COUNTRY	% Interest
ITALY		NIGERIA	
Gela	100	Ebocha	50
Ragusa	100	Mbide	50
EGYPT		Kwale	50
Belayim	50	Okpai	50
Abu Madi (gas)	100	Akri	50
		Ndom	50
		Ida	50
		Manuso	50
ENGLAND (N. Sea)			
E Hewett, Dotty,		NORWAY (N. Sea)	
Deborah, Della (gas)	8.13	Cod (condensate)	5.28
Josephine	15	Brofrik	13.04
		W. Brofrik	13.04
IRAN			
Bahrgan Sar	50	QATAR	
Hendijan	50	Maydam Masam	20
Nowrouz	50	Id-el Sharg	20
Doudrou	50		
Rig	50	TUNISIA	
Shurou	50	El Borma	50
Roostam	16.67		
Rakhsh	16.67	LIBYA	
		CONGO (Basin)	
		En Atfal	50
		Burwad	50

Italy

The South: Mezzogiorno Development Incentives Are Sweetened

(Continued from Page 7)

stations. And a clause is expected to be introduced into the law to allow a grace period of three years before the first installment would be due.

The interest rates to be fixed by the Treasury Ministry are expected to be between three and five percent annually, and lower rates are expected for small and medium-size companies.

Tax Holiday

An incentive, too, will be a 25 percent reduction in social security payroll charges to companies settling in the Mezzogiorno. Currently, the reduction is 20 percent. And the new law will not change the 10-year tax holiday for new investors or to those wishing to expand.

A move that will help speed the development of the infrastructure needed for industrialization in the south also has been written into the legislation: That all state-owned companies must locate 60 to 80 percent of their new plants in the Mezzogiorno, and not less than 40 percent of their total investments—including modernization and expansion of existing facilities—by the end of 1973.

A number of private and state companies already have finalized their investment plans to take full advantage of the new incentives. For example, Fiat will build 15 plants in the Mezzogiorno with an investment of 250 billion lire (\$405 million), which is expected to provide 20,000 new jobs. Fiat will also invest in four new plants to employ about 4,000 workers with an investment of 24 billion lire (\$39 million).

Olvetta expects to spend four billion lire (\$62 million) for a plant expansion at Poggioreale, to create 400 new jobs, and 15 billion lire (\$23 million) for a new plant to employ 1,600. Further, the giant state holding company IRI plans to invest by 1975 2,500 billion lire (\$42 billion) in the Mezzogiorno, including a major steel complex in Reggio Calabria.

Cassa's Role

The role of the Cassa Per Il Mezzogiorno, meanwhile, which has been the official governmental body with responsibility for developing the South's industry, agriculture, tourism, and infrastructure, will be modified by the new legislation. The Cassa will finance only those infrastructure works closely related to industrial development, such as airports, shipping facilities, transportation and communication networks, while the newly developed regional authorities take over responsibility for general infrastructure: roads, irrigation, aqueducts, etc.

The principal function of the Cassa, however, still will be to supply financial assistance to industrial investors, and it will have 7,000 billion lire (\$11.3 billion) available for investment over the next 10 years. And the Institute for Assistance in the Development of Southern Italy (IASMI), a private consultancy body funded by the Cassa and other agencies, will retain its role of advising potential investors on plant location, available incentives, and providing solutions that fit their financial and manufacturing needs—all free.

It all adds up to a pretty equation: investment in the Mezzogiorno results in space, manpower, tax holidays, state grants and soft-loan financing. None of that, however, necessarily spells profit, and IASMI points out that it has a special stake in providing tailor-made solutions for investors because everyone loses—Italy, industrialists, financiers and employees—if the investments fail.

Consequently, IASMI is one of the most significant invisible incentives to investment in the south of Italy, especially for foreigners.

North and South

Still, while businessmen may be able to reap a harvest of investment discounts and national resources in the Mezzogiorno, Italy's prime purpose is to narrow that great gap between the over-industrialized North and the wanting South. And in the new legislation there is a provision to discourage further investment in congested areas. Companies that invest over 400 million lire (\$670,000) in certain congested areas of the North (to be determined by CIPE in accordance with criteria set forth in the law) will be fined one million lire (\$1,650) for each worker over the first 100 hired after the effective date of the new law. The money from the fines will be used by regional authorities to construct schools, hospitals and parks.

Some companies, including Alfa-Romeo, have voiced opposition to the upcoming measure to discourage investments in crowded areas. They claim that companies discouraged from investing in the North will not necessarily move to the South. The government has remained unconvinced, and it is doubtful that the parliamentary vote will be influenced by the industrial reaction. The restrictive measure, it has been later noted, will apply to few areas in the North.

The other efforts, meanwhile, in the program that has been going on for some time to attract industry to the Mezzogiorno—swift development of infrastructure, up-training of the labor force—will continue under the new program. Ten

schools have been established by the Cassa Per Il Mezzogiorno to train mechanics, machine operators and other skilled operators. And there have been these developments:

• The Ministry of Education has created 200 industrial professional institutes in the South to train about 30,000 school dropouts each year. Courses cover the usual range of basic technical training in such areas as electromechanical and radio technology.

• The Ministry of Labor has provided short-term technical industrial courses for almost 30,000

students a year. The courses are operated in cooperation with local industry and unions and they cover the range of basic industrial skills designed to fill local industrial needs.

• The Cassa and the Institute for Industrial Reconstruction have sponsored the major type of industrial training found in the South. The 10 aforementioned schools have been established to fill the great demand for highly skilled and competent technicians required by the increasingly complex industries investing in the Mezzogiorno. The training centers

are in Naples, Bari, Taranto, Chieti, Cagliari, Caserta, Syracuse, Crotone, Reggio Calabria and Latina.

Although control of the training centers is under the authority of the Cassa, control of them is shared with local industry and local and national industrial associations, with the cooperation of local chambers of commerce and local town councils.

Also, the Cassa helps finance crash courses for workers at new factories or where retraining is necessary because of the introduction of new machinery.

Manpower

While the caliber of the labor certainly has needed the uplifting it is receiving, the quantity of manpower in the underdeveloped South is unequalled in Europe. And the oversupply of manpower is expected to increase during the next 20 years while in the rest of the Common Market the labor situation is likely to become tight.

The immense size of the surplus labor force, of course, dictates a low cost of manpower to investors. According to Italy's economic intelligence unit, the average

gross hourly wage in manufacturing in 1967 (the most recent year for which such figures are available) in the Common Market shaped up this way: Mezzogiorno \$0.49, Italy \$0.71, France \$0.85, the Netherlands \$0.98, Belgium \$1.04, West Germany \$1.17 and Luxembourg \$1.50.

As Carlo Turco of IASMI has put it: "Manpower is the major asset in Italy... Secondly, there is the availability of space and many locations to choose from. Central Europe, on the other hand, is quite costly." And from this available space,

Italy is developing a superhighway network unequalled in Europe. The autostradas now make it possible to ship by road from the toe of Italy at Reggio Calabria to the Mont Blanc tunnel within a day. Added to Italy's already modern railway system and the ease of sea shipping, the road network makes the transportation picture a healthy one.

Now the question is whether all of these investment incentives will lure the kind of industrialization Italy feels it requires to eliminate the social and political problems caused by the North-South gap.

Transport Power Engineering

Transport, power, engineering: the three major industrial activities of the Fiat group.
Cars, light and heavy commercial vehicles, city buses, express coaches, agricultural tractors, earth-moving equipment, tractor-trailer units, Diesel locomotives, railway coaches, trams, gas-turbines, aero-engines, nuclear power, automated marine control equipment. Aeronautical research and equipment (Aeritalia). Large Diesel engines (Grandi Motori Trieste). Vast civil engineering projects and public works (Impresit): roads, motorways, dams, hydro-electric power plants.



A Great Wine Producer, But Only a Small Exporter

By Dean C. Miller

NEW YORK (UPI)—Italy is the largest wine producer in the world, about 2 billion gallons a year or 12 percent more than France.

"So, why," asked a newsmen of Dr. Italo Folonari, export manager of Italy's House of Ruffino, "does the export only 4 percent of that crop?"

Dr. Folonari, a trim, dark-haired man, sipped a glass of red wine and tasted the grapes in his bag, trowels before answering. "Maybe we've been negligent," he said with a smile, "but I'm here in Manhattan to correct that."

Then he revealed that Ruffino, which has expanded 51 percent in the last four years and is best known in the United States by its straw-covered Chianti bottle, will spend "substantial money" in coming months to promote Veronese wines around New York.

While he declined to reveal the advertising budget figure, it has been estimated at \$250,000 and eventually will be much more when the ad campaign, mostly spot television, is spread around other U.S. cities. Veronese wines have been the single fastest growing segment of the Italian wine industry.

Late in June, Dr. Folonari spent two working weeks in New York to lay the groundwork. Even before he arrived, Schieffelin & Co., New York distributors for Ruffino, met a full day with 1,000 key sales people at a Kennedy Airport hotel.

Dr. Folonari, eldest son of Nino Folonari, president of Ruffino, arrived shortly after that meeting to give it all together. He presided over two tastings for major restaurateurs, formal dinners, with distributors and wholesalers, and a series of small groups of salesmen, serving meals

with important potential customers and press briefings.

Optimism

Was he optimistic about pushing Italian brands in a country burgeoning with good domestic vineyards that last year increased their table-wine sales 13 percent (77,690,816 gallons over 68,862,535 gallons), according to the National Association of Alcoholic Beverage Importers?

"Yes," said Dr. Folonari, "the growth in wine drinking makes room for all wines. And the U.S. drinker has become sophisticated in his tastes. He knows that Italy produces more than Chianti, so do other countries."

"It may surprise you," Dr. Folonari said, "that our house alone exported last year 3 to 4 percent of the so-called capital of wine, 22,000 cases of wine. I will not be satisfied until every country in the world knows about our wines. Neither will my father, who thinks he is the boss, and he is."

Dr. Folonari seems to be on a sound marketing track. Wine consumption in the United States has been rising for five years. Imported still Italian wines for last year have jumped in sales by 26 percent (2,942,717 gallons over 2,344,880), according to NAAB.

Italy, sensing this trend, is trying to cash in. Two million of its 54-million workers are directly concerned with producing wine. Twelve major educational institutions in Italy offer degree-level courses in enology, the wine science. At Siena, in the Medici cellars, the Italian wine institute and its master tasters of 400 domestic wines plan ways to convert their grapes into foreign cash.

Even a one percent increase in exports would be a big boost to the Italian economy.

Italy

An Analysis of the Economy by the OECD

THE interruption of the expansionary trend of the Italian economy has now lasted nearly two years. The growth of the national product has been very slow since the summer of 1969. Industrial production recovered sharply in early 1970, after a big fall due to massive strikes, but has marked practically no progress thereafter.

The origins of the virtual stagnation of output were not of a cyclical nature. Recurrent work stoppages were initially the main factor preventing an increase of production. But the interaction of causes extraneous

to the economic cycle and of developments in incomes, costs and external transactions has created a change in the economic situation in the first half of 1971.

Continuing disturbances in the productive sector still constitute an obstacle to appreciable increases in output. But signs of deficient demand have become

italian steel

FINSIDER GROUP - Roma
All the products of the steel industry

- ITALSIDER - Genova**
Hot rolled strips, plates 3 mm, electrolytic tin plate, galvanneal sheets, welded beams, rails, wheels, high carbon steel special plates.
- DAEWANG - Milano**
Seamless and welded steel pipe for any industrial and civil purposes.
- TERMI - Roma**
Hot and cold rolled products, electrical steels in sheets and coils, castings, forgings, drop forgings, gunstocks, gates, pressure vessels.
- BREDA SIDERURGICA - Milano**
Special steels: structural steels, hot rolled steel, cold drawn products, peened calibrated products, steels for special purposes.
- MORTEO SOPREFFIN - Genova**
All types of steel containers, guard-rails, greenhouses, prefabricated metallic pavilions, liquid gas cylinders, lubricant drums.
- SOCIETA ITALIANA IMPIANTI - Genova**
Consulting design and construction of industrial plants.
Head Office: General Management - Piazza Bicciocchia, 3 - 16121 Genova
- SIDEXEXPORT - Genova**
Export sales organization.
Head Office: Via XII Ottobre, 2 - 16121 Genova
Tubular products division: Via Brera, 21 - 20121 Milano

increasingly numerous, pointing to some risk of a cumulative deflationary process. Non-agricultural employment continued to rise until early 1971, partly because of negotiated reductions in the working week. It could be unfavorably affected during the rest of the year if, on top of the foreseeable decline in the labor-intensive housebuilding sector,

other demand components—and in particular business investment—were to weaken further.

Difficulties

Economic policy is thus faced with difficult tasks. Policy formulation has not been easy over the last year and a half, when economic trends changed frequently, social and political uncertainties prevailed and considerable strains developed for a time on the balance of payments.

One of the important achievements of policy in this period was the considerable expansion of investment of both general government and state-owned enterprises; this helped to sustain total investment and, in the early months of 1971, was probably one of the few buoyant elements of aggregate domestic demand.

Monetary policy was tightened up to the summer of 1970 (thus making difficult the situation of smaller firms who could less easily absorb the large wage increases) because of a disquieting large capital outflow and speculation against the currency. After the successful reversal of the outflow, partly by means of large borrowing abroad by public institutions and enterprises, monetary policy was progressively relaxed.

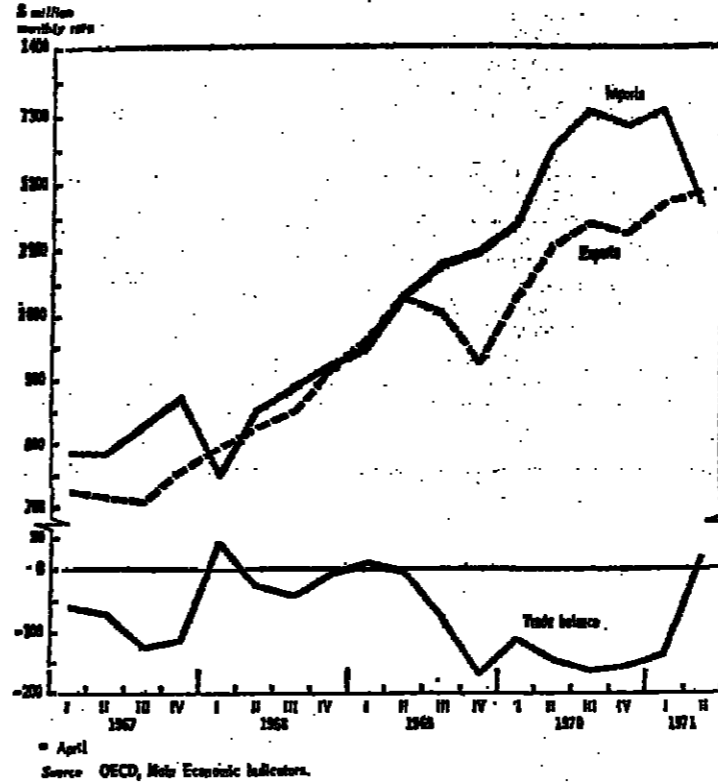
The package of fiscal measures of August 1970 had an immediate favorable influence in restoring confidence in the currency. Its net demand impact was probably more restrictive than intended. At the beginning of 1971, on the basis of forecasts of relatively strong private investment demand and of an early upswing in production, the government fixed certain limits to the permissible deficit of the treasury.

However, their economic justification disappeared as the recession deepened and the demand for private domestic demand became progressively clearer. At the time of writing, the authorities are considering the adoption of a package of deflationary measures. [See addendum.] Certain decisions have already been announced—e.g., steps to counteract the decline of activity in housebuilding—but recent developments seem to call for determined expansionary action with relatively quick effects. Apart from the need to prevent an increase of unemployment, such a policy seems clearly appropriate on purely economic grounds.

Payments

The current balance of payments is probably in surplus and the large increase of official

FOREIGN TRADE
Quarterly averages, seasonally adjusted



reserves provides a margin for the adjustment of demand management to domestic requirements.

Prices will inevitably continue for some time to reflect the earlier large increases of costs. But recessionary developments would hardly contribute, except very temporarily, to dampen price inflation. On the contrary, stimulatory action aimed particularly at encouraging private investment seems the best way of reducing gradually the pressure on costs.

The present margin of unused resources suggests that deflation might be general. But looking beyond the immediate future, there is clearly great need for discrimination in favor of steps that encourage productive and social investment, help to reduce costs and limit price increases and create increased employment opportunities.

Moreover, it would be desirable that some of the expansionary measures should be easily reversible. In order to achieve their purpose, the selective stimulating measures would have to add up to a relatively important aggregate impact and exert their effects rather quickly. The early announcement of definite decisions in this field would, by itself, have a favorable influence, because the expectation of new measures has apparently held back certain business decisions. [See addendum at the end of this article.]

Objective

The first objective of a selective expansionary policy would seem to be the maintenance of the recent rising trend of investment by the government, public agencies and state-owned enterprises. Investment plans of state enterprises for 1971 are, indeed, so large that special efforts may be needed to implement them in time. On the other hand, so long as private demand remains weak, increased recourse to government borrowing will be justified to finance additional public expenditure, not only for investment and capital transfers, but also on current account.

It would seem advisable to postpone, for the time being, any increases in public tariffs and government-controlled prices. The recent reduction of taxes on oil products to offset the rise in world market prices suggests that the authorities are prepared to act on these lines. The freezing of public tariffs will probably need to continue during the early months of 1972, and to be accompanied by special measures of price surveillance, in view of the risk that the change next January to the value-added tax may provoke unjustified price increases.

Private Sector

Apart from the direct influence of the public sector, measures to support private investment activity could be considered. Under present circumstances, their budgetary cost should not be compensated by means which would impinge on private incomes and demand. The temporary reduction of employers' social security contributions and an immediate cut of the transaction tax on investment (anticipating the results of the switch to the value-added tax) are apparently among the steps being examined. Both present the advantages of being simple, having quick effects, and reducing pressure on costs and prices. According to earlier Italian experience, changes in social security contributions could easily be reversed in the future, should this be warranted by the state of the economy.

So far as monetary policy is concerned it is demand for credit rather than its availability which is weak. Nevertheless, further special measures might be feasible to facilitate finance of housing and of small enterprises. But the general level of interest rates cannot be allowed to decline to such an extent as to create

new incentives for capital outflows.

The government is, currently, preparing important structural reforms. These include a reshaping of the tax system to come into force in 1972, basic changes in house-building legislation, an overhaul of the Health Service and plans to promote economic development in the South.

Some of the legislation is already in course of parliamentary approval and it is to be hoped that these extensive reforms will become effective as soon as possible. Their importance in helping to correct economic disequilibria and to solve acute social problems needs hardly to be stressed. In addition, early decisions on these plans would reduce some uncertainties affecting business investment plans and should have a favorable influence on the social climate.

Demand

The present phase of relatively weak domestic demand provides a favorable opportunity for the application of reform measures, which, apart from their other consequences, involve certain increases of public expenditure. These reforms, however, will absorb in the future an appreciable volume of resources. Additional supply to satisfy increasing individual and collective claims requires that the process of economic expansion be resumed.

The underlying potential of the Italian economy is probably considerable, with the balance of payments still quite strong (cf. last year's surplus despite the special strains and difficulties). No economic system, however, can withstand indefinitely, without serious damage, a situation in which the productive apparatus does not function normally.

Addendum

After the present survey had been finalized, the Italian government, on 3rd July 1971, announced a series of expansionary measures aimed at helping mainly small and medium-sized enterprises.

Several measures become effective as soon as the relevant decree-law is published, but must be approved by parliament within 60 days. They may be classified under two general headings:

Budgetization of social security contributions:

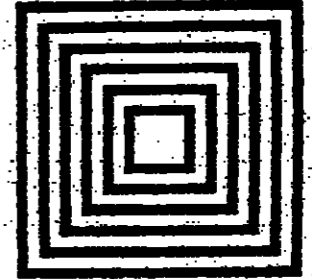
- (a) Employers' contributions to the Insurance Fund for Old Age and Unemployment (INPS) will be reduced by an amount equal to 5 percent of the wage bill used as a basis for contributions. This measure will apply for one year only and to a workforce of up to 300 persons for firms with a total payroll not exceeding 500. Certain branches are excluded—e.g. building enterprises which benefit from earlier special measures.
- (b) A partial budgetization of contributions of all enterprises located in the South was introduced in October 1968. This is now increased to 30 percent of the basic wage bill, but the increase applies only to additional employment. These incentives, due to expire at the end of 1972, are prolonged until the end of 1980 in order to influence long-term business plans.

Special credit facilities:

- New transfers from the budget to several funds managed by the Special Credit Institutions will allow an expansion of credit granted on favourable terms to particular categories of borrowers—small and medium firms, artisans, agricultural enterprises, etc. Parallel measures increase the budget appropriations subsidization of interest rates aid on these categories of credit. Another measure consists of a substantial increase of budget appropriations to speed up tax refunds to exporters.

consorzio di credito per le opere pubbliche (CREDIOP)

Public Works Credit Consortium - Headquarters:
Via Quintino Sella, 2, Rome, Italy
FULLY PAID CAPITAL: Lit. 15.300.000.000
RESERVES: Lit. 114.980.794.040



The CONSORZIO DI CREDITO PER LE OPERE PUBBLICHE finances the performance of public works with loans secured by annual appropriations in the national Budget or by the assignment by Municipal and Provincial governments, Land Reclamation Consortia and Regional administrations of revenues which enjoy special rights of collection with those applying to direct taxes.

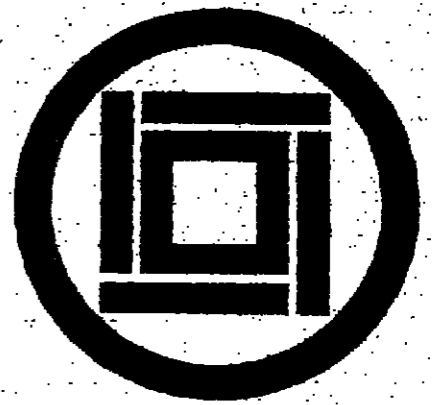
Other important operations effected by the Consortium comprise direct loans to the State, the State Railways and to ANAS (National Highway Authority). Provision for the interest and repayment instalments of such loans is made by separate appropriations in the budgets of the borrowers, specifically allocated to the Consortium. In addition, the Consortium grants loans to local government authorities for the financing of their budget deficits and to the assignees of State annuities in respect of war damage compensation.

Against the loans so granted, the Consortium issues its own Italian Lire or foreign currency bonds, redeemable in correspondence to the terms of repayment of the loans. The sums receivable by the Consortium deriving from the extinction of the loans are appropriated exclusively to the payment of interest and amortization of the corresponding bonds. Apart from the appropriation of such sums, the bonds are also guaranteed in aggregate by the subscribed capital and the reserves of the Consortium. The bonds issued as per Decree Law No. 124 of 15 March 1965 — converted, with modifications, into Law No. 431 of 13 May 1965 — and Law No. 382 of 28 March 1968, enjoy State guarantee.

The bonds issued by the Consortium are exempt from any stamp duty or future tax or duty. The bonds enjoy parity with the Municipal and Provincial Loan Certificates issued by the Cassa di Risparmio e Credito (Post Office Savings and Loans Fund) and with Real Property Loan Certificates. They are included among the securities on which the Bank of Italy is authorized to grant advances, and they may be deposited with the Central Bank by the commercial banks as guarantee of the bank drafts which they issue. The bonds of the Consortium enjoy the right of Stock Exchange quotation.

istituto di credito per le imprese di pubblica utilità (I.C.I.P.U.)

Public Utility Credit Institute - Headquarters:
Via Quintino Sella, 2, Rome, Italy
FULLY PAID CAPITAL: Lit. 21.000.000.000
RESERVES: Lit. 49.336.872.740



The Institute provides the following types of financing:

- Medium and long-term loans to public and private bodies and enterprises for the provisions of public utility works, installations and services, or of any project deemed to be in the public interest.
- Medium and long-term loans at assisted interest rates for industrial and tourist projects in the Southern Italian mainland and islands, pursuant to Law No. 717 of 26 June 1965.
- Medium and long-term loans at assisted interest rates for industrial and tourist projects in the depressed areas of Northern and Central Italy, pursuant to Law No. 814 of 22 July 1964.
- Medium-term loans for stimulating productive investments and assisting the technological development of small and medium-scale enterprises, pursuant to Law No. 38 of 15 February 1967, which extends the term of and amends Law No. 623 of 30 July 1959.
- Finance for export credits and for assistance to developing countries, pursuant to Law No. 131 of 28 February 1967.

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Italy Sardinia Is Turning Problems Into Assets

By Nino Lo Bello

CAGLIARI, Sardinia.—After the Anopheles mosquito left the second largest island in the Mediterranean, the economy of Sardinia started to play leapfrog with the centuries by taking some big jumps towards industrialization. But like everything else on this island of peasants and shepherds, the problems of creating industries cannot be solved with DDT or the spray-guns that eliminated malaria in 1943.

For one thing, the exodus of Sardinia's labor force continues at an alarming rate. Nearly 45,000 workers have left the seagirt region in the last three years—a significant figure when deducted from Sardinia's million and a half population. Basically, the island's dilemma is that there is a lack of raw materials here and that almost everything must be brought in from the mainland—even most of the drinking water.

In spite of such limitations, Sardinia today—some two decades after the Anopheles—is an island of intense economic growth, thanks to the Piano di Rinascente (plan for the rebirth of the island) laid down with Law 588 nine years ago, which provided Sardinia with an endowment of \$644 million to be paid out in half-yearly sums up through the 1974-1976 financial year.

Quoted as to Sardinia's future place in the Italian economy, Achille Strichia, director of the Cagliari Industrial Area Consortium, said:

"Until recently, Sardinia was considered isolated because it was an island. But what was once our misfortune, is now our strength for expansion, because Sardinia is strategically placed in the Mediterranean. Our ports have the advantage of having excellent contacts, possibilities with Africa, the big market of the future."

Sardinia's economic growth today centers around chemicals and petrochemicals. Yet mining, aluminum, paper and tourism continue the island's hope for the future, now that the petrochemical plants at Sarcach and Porto Torres are nearly in full swing.

Built only five years ago from scratch, the \$50-million Sarcach refinery at Sarcach (near Cagliari) chalked up in 1970 an all-time record in Italy by processing 12-million tons of crude and exports to break this record at the end of 1971.

At Porto Torres, in the province of Sassari, the Societa Italiana Resina di Milano has created one of the most complete, integrated chemical plants in Europe. Employing some 15,000 people, the \$100-million S.I.R. refinery annually produces 130,000 tons of plastics, 250,000 tons of fertilizer and over 200,000 tons of other chemicals.

Three other mainland companies have plans to come into Sardinia and expand the island's chemical and petrochemical operation. ENI the state-owned oil and gas agency, Sida Vicosca and Montedison have selected Ottana in the central part of the island to invest nearly \$400 million in an industrial complex that will deal in synthetic fibers, textiles and chemicals. The bargains for the Ottana plant, which will provide employment for over 7,000 persons, include 30,000 tons of terephthalic acid, 50,000 tons of polyester and 50,000 tons of acrylic fibers.

Montedison also has extensive plans for the Cagliari area, investing approximately \$100 million in some 50 plants for the manufacture of basic petrochemicals, synthetic textiles and plastics. Meanwhile, ENI's 300,000-ton aromatics plant at Sarcach, for which \$79 million was invested, will go into full swing before the year is out.

Prospects

Another giant in Sardinia's chemical and petrochemical sector is Rumancia, whose plant at Sarcach showed an 8.3 percent hike in sales last year, going over the \$84-million mark. Rumancia, which expects to raise its sales to \$100 million in 1972 and double its Sardinian profits by 1974, plans to invest \$110 million in the next few years into a program of expansion.

In addition to Italian companies planning new operations here, there have been a number of foreign firms exploring the possibilities. The most prominent of these have been Japanese, who are interested in using the Cagliari Industrial Area as a center for various initiatives planned for Europe. The companies studying Sardinia include Mitsui Shipbuilding, Mitsubishi, Suzuki, Seiko and Aida, mostly involved in medium and light manufacturing.

The General Cable Corp. of New York, through its subsidiary, C.S.R. Steel Products, is building a plant in the Cagliari zone. Although the mines of Sulcis have been the heart of Sardinia's economy since ancient times, the industrial renaissance here does indeed include Sulcis—but the area's hopes are linked to aluminum. The two facilities for processing the mineral, which belong to the Eurallumina and Alcan companies, must come from Australian bauxite mines. At Alcan, production of an annual output of 100,000 tons of aluminum is scheduled to start before the end of this year, whereas the Eurallumina operation with 600,000 tons yearly of alumina, will begin during the fall of 1972.

Perhaps the biggest project so far in Sardinian history has been the Flumendosa River Dam which, together with a number of other projects—aqueducts, irrigation works, power plants and seedling nurseries, all built with the assistance of the Southern Development Fund (Cassa per il Mezzogiorno)—serves a basin area of nearly 800 square miles. The basic objective of the dam is to provide the conditions for transforming by irrigation the vast plain that stretches from the Gulf of Cagliari to the hinterland of the Gulf of Oristano.

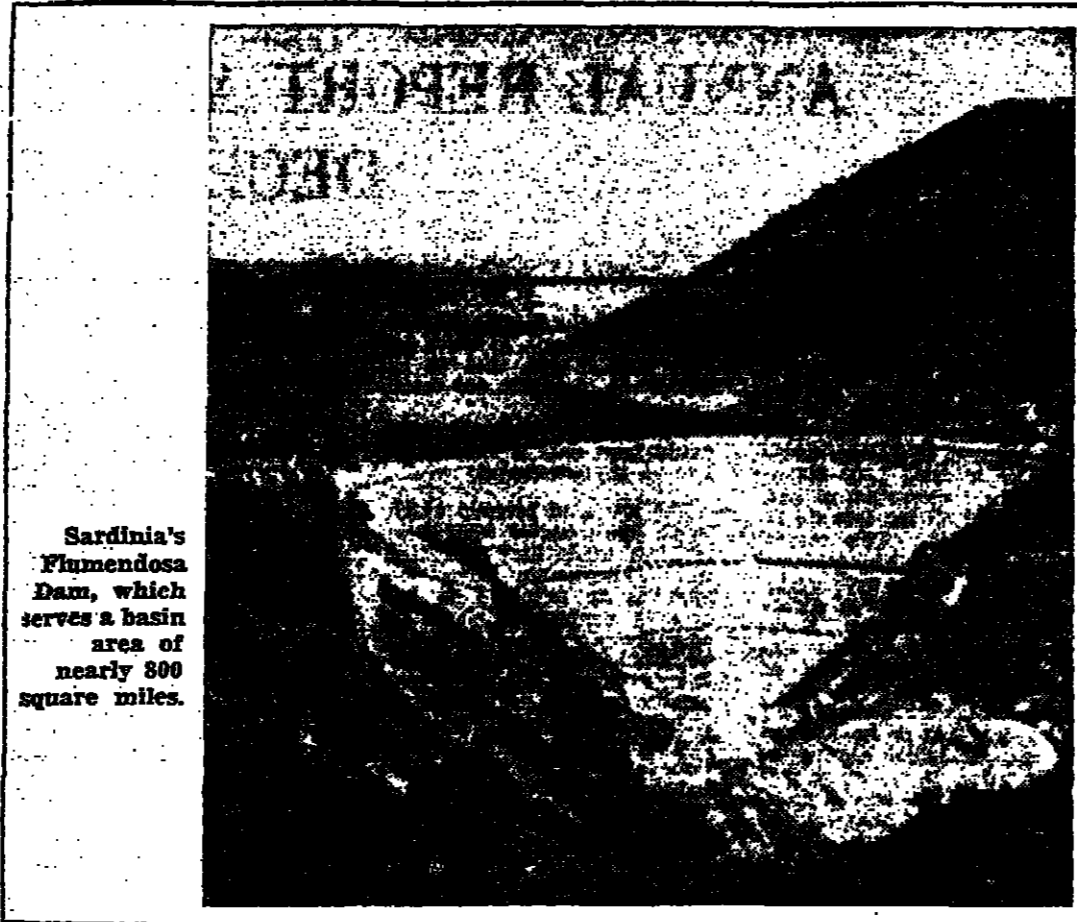
To push the development of its tourism industry, Sardinia is providing incentives to foreign investors, now that ferry and air connections have been improved. Through IASMI (the Institute for the Development of the South) the region offers 75 percent financing of building costs and 50 percent of the furnishing costs for most hotels.

Apart from the presence of the Aga Khan development on the Costa Smeralda in the northeast for the international jet set, significant initiatives already include Swiss capital on the east coast of the Gulf of Cagliari and Belgian capital in the south. A holiday village among the pines of Santa Margherita near Cagliari was financed by Forte's Ltd. of England. The Forte development, which consists of 438 bungalows and four hotel units with a total of 1,500 beds, brings Sardinia's bed number today to 24,000.

But Sardinia's stumbling block in the tourism sector, reflected by its annual turnover of less than \$50 million, is its short season which lasts from April until October. The brief period pushes the costs up and makes employment precarious. If tourists could be wooed into coming to Sardinia between October and April, they would do especially well for themselves, officials here point out, because the island has history, archeology, hunting, fishing and gastronomic attractions, not to mention "unforgettable human experiences." Currently six study groups covering six zones of potential tourist interest have been set up to make suggestions.

Heading the list of zoning problems in the travel sector, which Sardinia has not yet faced squarely, is road communications. Italy's autostrada plans do not include any projects for Sardinia, a decision apparently guided by the size of the island and by its insularity. Though the main highway joining the north and the south (Sassari to Cagliari) is a good thoroughfare that has been transformed into a four-lane superhighway (with no traffic dividers), the island's roadway network is not sufficient.

For one thing, there are no arteries to link the east and west coasts of Sardinia. And however breathtaking the drive into the wild spurs of the mountains alongside the sea, there remains the problem of highway bandits. Armed Italian carabinieri (state police) constantly patrol the road leading to Nuoro, so that chances today of a holiday are extremely small.



Sardinia's Flumendosa Dam, which serves a basin area of nearly 800 square miles.

Although the mines of Sulcis have been the heart of Sardinia's economy since ancient times, the industrial renaissance here does indeed include Sulcis—but the area's hopes are linked to aluminum. The two facilities for processing the mineral, which belong to the Eurallumina and Alcan companies, must come from Australian bauxite mines. At Alcan, production of an annual output of 100,000 tons of aluminum is scheduled to start before the end of this year, whereas the Eurallumina operation with 600,000 tons yearly of alumina, will begin during the fall of 1972.

Tourism: A Growing Sense of Uneasiness

By Elaine Platsky

ROME.—Luigi Barzini, writing about tourists in Italy, has said, "Nothing frightens them. Nothing stops them." But for the first time since World War II Italians are not so sure.

Until now, there was nothing to frighten tourists and nothing short of money to stop them. Until now, the magic of Italy's reputation for service, for sparkling seas and beaches, were almost unrivaled as tourist lures. The magnet of its art treasures and its historical architecture alone kept an ever-increasing number of Americans, Europeans and Asians flowing into its cities.

The service still exists, between strikes; the sea still sparkles between oil slicks; the art and architecture still can be reached, between the frequent traffic tieups.

And tourism is suffering. The Italian National Tourist Office says that the drop in tourist trade is of 11 percent so far this year, and the problems that have contributed to that decrease are still unresolved.

A Decline

Predictions were that the number of tourists would exceed the 33 million of last year, and would grow each year, numbering about 45,000,000 by 1980. Now it seems doubtful that Italy can approach last year's figures during 1971.

The National Tourist Office, however, is still optimistic. "After all, there is a ceiling," a spokesman said in reference to the once-predicted increase. "One can't think that it will increase every year, not in a country that receives more than 32,000,000 people a year. You can't have great increases. Anyway, the season is just beginning. The hotel strikes are settled and if we have a good September, it will compensate for the little decline that we might have had."

But in some Rome hotels, the cancellations; for the June-October period already have decreased the number of reservations 20 to 25 percent below last year. Along the Romagna coast, which includes the popular resort of Rimini—a favorite of Germans, who represent the largest number of tourists—3 percent fewer persons are seeking accommodations.

While the downturn in tourism has come as a surprise to many, two of its principal causes have been manifest for a long time: strikes and pollution.

During the spring, a strike by museum attendants closed Italy's art attractions for more than a week. During the past three months, railroad and airport personnel have been playing roulette with passengers through so-called "hiccup" strikes. And for a total of more than 30 days so far this year, service has not only its smile but its source in hotels throughout the country. Tourists were left without room service; they also had to make their beds and carry their baggage.

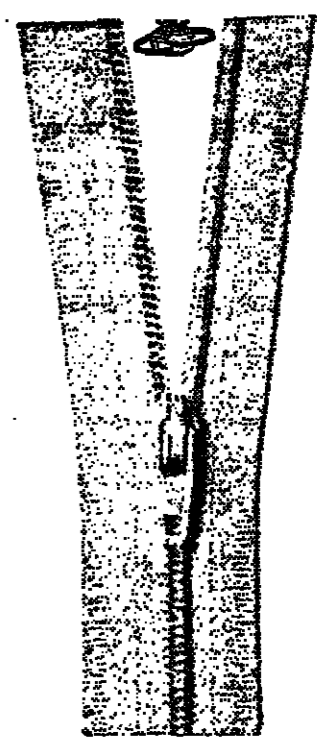
The week-long garbage strike in May and the curtailment or interruption of other services often meant that tourists who were in Italy at the time had more to relate back home about the crises than about the sights they had seen.

The problem is that there are fewer tourists and they are buying less of everything than tourists did last year. The National Tourist Office put the market value of tourism in 1970 at \$16.5 billion for Italy. Besides the fact that this amount of foreign currency is the largest contributor to offsetting the nation's foreign trade deficit, it is also responsible for the jobs of at least one million persons.

The Elite

It was the class of tourist who can best spend in Italy the elite tourist—who was most affected by the hotel disruptions. At the Hassler, one of Rome's most luxurious hotels, located at the top of the famous Spanish Steps, the proprietress said she had lost about 20 percent of her clients because of those who didn't arrive during the strike and those who departed because they feared the worst.

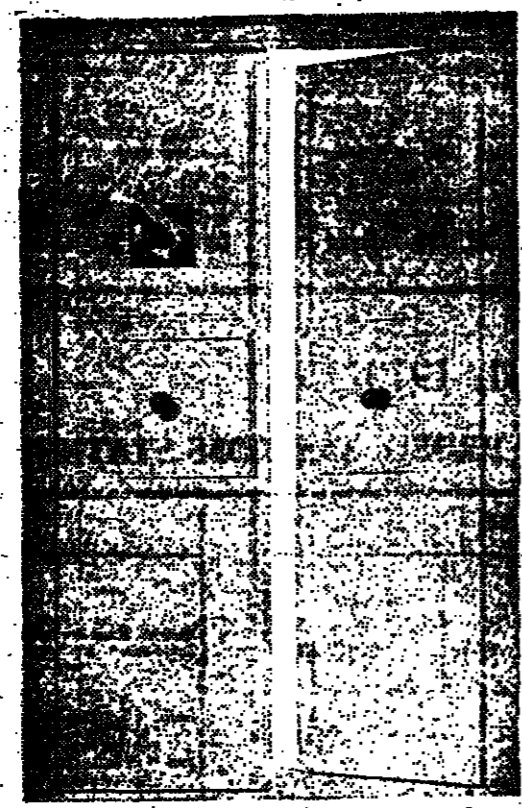
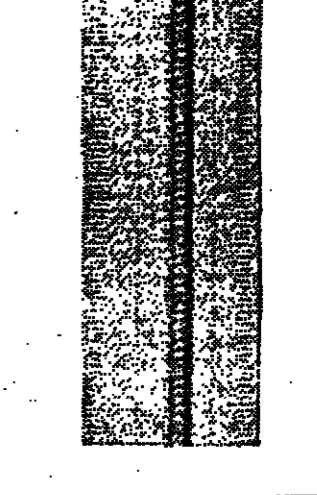
Still, a large Rome travel agency reports that the sun is all that Italy needs. A spokesman said, "Tourism here is automatic because we've got the seaside. We laugh and we sing. Italy is a country that attracts. My customers are mostly Americans and they accept strikes and demonstrations as all being part of the democratic process. Even he, however, has a nagging doubt: "It's true that our business got better this year, but I don't know how much more it would have been if everything were in a normal state."



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*** IASMI**

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IASMI is a non-profit organization associated to the CASSA PER IL MEZZOGIORNO and provides free advisory services to businessmen willing to establish industrial or tourism ventures in Southern Italy.

IMI
ISTITUTO MOBILIARE ITALIANO
Annual Meeting—June 23, 1971

On June 23, the Annual Meeting of the Shareholders of Istituto Mobiliare (IMI) was held in Rome to approve the Balance Sheet and Report for the 39th fiscal year.

Mr. Paolo Barfi, Deputy Chairman, commemorated the late Stefano Siglienti, mentioning the salient moments of his life as a political leader and as an eminent member of the Italian and international financial communities.

As Chairman of IMI, a position which he held for more than twenty-five years, Mr. Siglienti guided the Institute, with wisdom and integrity, to its present size, prestige and international standing.

The Board of Directors' Report reviews the activity of the Institute which achieved highly satisfactory results and, also through new forms of action, expanded its role as a financial intermediary; this performance appears all the more remarkable considering that 1970 has been a difficult year for the Italian economy and that the domestic capital market underwent heavy stresses.

Loan agreements signed—for the equivalent of 1,922 million dollars (+11%) which rises to 1,194 million if those of the "Maritime Credit"—Autonomous Section of IMI are included—break down as follows: investment financing, 781 million dollars (+21%); export financing, 214 million dollars (-15%); financial credit to developing countries, 18 million dollars (-34%); loans to non-residents, 9 million dollars (-34%).

Of the total amount of investment financing, 403 million dollars (52%), a new high for the Institute, went to Southern and Insular Italy; in 1970, IMI's financial contribution accounted for 47% of the new operations of the entire industrial credit system in that area.

As regards the sectorial breakdown of investment financing, industries received 544 million dollars, service activities 163 million dollars, R & D 55 million dollars and other activities 19 million dollars. The transactions with industries financed investment programs totaling 323 million dollars, which are expected to provide employment for 34,000 people.

Among the special operations for the account of the Government, the Report mentions those relating to the R & D Fund, which developed regularly during the course of the year; the Institute also promoted the establishment of three new research companies.

The decrease of the Institute's activities in the sector of export financing, a decline shared by the entire system of the Institutes operating in the sector, reflects above all the limited amount and the variety of the Government funds in the area of insurance and credit, and the stresses in the domestic capital market.

The year's overall activity resulted in the amount of IMI's outstanding transactions as of March 31, 1971, reaching a total of 5,400 million dollars, with a 12% increase over the preceding fiscal year. Of this total amount, 85% concerned transactions from the Institute's own funds and 5% from special funds (managed by IMI for the account of the Government in connection with specific economic programs and financed out of public funds).

As regards the sources of funds, the diversified policy pursued by the Institute, in relation to the substantial changes which have involved the Italian and international capital markets, has made it possible to meet the substantial volume of commitments. In the whole, the bonds placed during the fiscal year on the Italian market totaled 966 million dollars. The Institute also engaged in extensive medium-term borrowing in foreign currencies, for 242 million dollars; most of this borrowing was done in the period of lowest liquidity on the domestic market.

As of March 31, 1971, the live bonds outstanding totaled an equivalent of 3,971 million dollars and the funds raised in foreign currencies 702 million dollars.

In its ninth fiscal year, IMI's "Maritime Credit-Autonomous Section" extended loans totaling 22 million dollars; as of March 31, 1971, the Section's outstanding transactions totaled 432 million dollars.

After a brief review of the capital market in 1970, the Report sets forth the state of the Institute's assets and liabilities and the profit and loss account. The profits, after the largest allocation to the Risk Fund permitted under the tax laws, and after the customary allocation to reserves, amounted to 12,245 thousand dollars. Of this amount, the Board proposed the allocation of 8,317 thousand dollars to the General Reserve Fund and 3,940 thousand dollars to the Shareholders (being a dividend at the rate of 8% of the paid-in capital), allocating part of the balance to other funds and bringing forward the residual.

After the reading of the Report of the Board of Auditors, the Meeting unanimously approved the Directors' and Auditors' Reports and decided in conformity with the Board's recommendations.

BALANCE SHEET SUMMARY AS OF MARCH 31, 1971 (39th Fiscal Year)	
(Dollar equivalents calculated at the rate of Lire 625 per U.S. Dollar)	
LIABILITIES	ASSETS
Subscribed capital stock	\$ 160,000,000
Reserve Funds	244,217,475
Bonds in Lire and foreign currencies	4,007,754,361
Borrowings and sundry debts in Lire and foreign currencies	1,870,951,818
Outstanding guarantees	49,985,022
Interest payable and rediscounts on receivables	128,915,831
Miscellaneous items	9,801,701
Balance of year's profits	12,245,433
	\$ 6,475,781,641
Contra Accounts:	
Loans commitments, securities and bills held and on deposit	2,992,254,778
Special and fiduciary operations	1,073,463,598
GRAND TOTAL	\$ 10,541,500,817
STATEMENT OF INCOME AND EXPENDITURES AS OF MARCH 31, 1971	
EXPENDITURES	INCOME
Overheads	\$ 13,448,276
Taxes	13,377,845
Interest paid on bonds	222,794,877
Depreciation	5,656,715
Allocation to the Risk Fund	17,680,080
Balance of profits	\$ 272,965,696
	\$ 12,245,433
	\$ 285,211,029
Interest and sundry income	\$ 247,641,651
Interest on current accounts and securities owned	37,569,978
	\$ 285,211,629

Eurobonds

Dealers Waiting for Stimulus For Traditional Summer Rally

By Wayne Littott and William Ellington

LONDON (AP-D)—Dealers in the Eurobond market are waiting to see if Wall Street, mainly an upward trend that might initiate the traditional summer rally in the convertible sector of the market.

Dealers believe a rally may be underway, despite two false starts, because of certain bullish factors that have appeared.

One of the main features of trading in the past week was the sharp rise in bonds of HUI, Samuel and Co., London merchant bankers.

Hill Samuel shares on the London stock market also have risen, to 132 pence.

Both shares and bonds have been under constant buying pressure because of rumors that merger is being discussed between Hill Samuel and S. G. Warburg and Co., another large London merchant bank.

Spokesmen for the two banks weren't immediately available for comment.

Later Friday it was also rumored that Eurobond issues denominated in French francs might come to the market soon.

It would be the first such issue for three years.

The three issues announced but not yet placed at the end of the week total the equivalent of about \$50 million, up from \$45 million a week earlier.

Aside from the \$30-million Owens-Corning issue, the city of Johannesburg was scheduled to offer an 80-million-deutsche-mark issue in August through a syndicate led by Berliner Handels-

Economic Indicators

WEEKLY COMPARISONS

Table with columns: Latest Week, Prior Week, 1970. Rows include: Commodity Index, Currency in circ., Total loans, Steel prod, Auto production, Daily oil prod, Freight car loadings, Electric Pwr. kw-hr., Business failures.

MONTHLY COMPARISONS

Table with columns: June, Prior Month, 1970. Rows include: Employed, Unemployed, Industrial production, Personal income, Money supply, Consumer Price Index, Construction contracts, Mfrs. inventories, Exports, Imports.

*1970 omitted figures subject to revision by sources. Commodity Index, based on 1967=100 and the consumer price index, based on 1967=100, are compiled by the Bureau of Economic Analysis.

Financial Markets in N.Y. Turn Bullish On News of Nixon's Plans to Visit China

By Thomas E. Mallaney

NEW YORK, July 18 (NYT)—President Nixon's electrifying announcement that he would visit China on a "journey for peace" before next May instilled new confidence in the business and investment worlds last week, but did nothing, of course, to solve the mounting irritations of the nation's economic problems.

As expected, the financial markets greeted the planned presidential trip with a burst of bullish enthusiasm because of its potential for improving peace prospects.

The President's trip will probably prove to be only a temporary tranquilizer for the markets, because it is realized that some hard bargaining and hard decisions are still ahead.

Even though the Nixon administration earlier this month formally disclosed suggestions for stimulating the economy and throwing new reins on inflationary pressures, it may be compelled by market circumstances and other forces to review its position before long.

Approaching Crossroads Quite clearly, the nation is fast approaching a key crossroad, where a tough decision must be made on the proper road to travel to achieve the economic stability that has been so elusive.

The economy is certainly not growing vigorously. Strike activity on behalf of sharply higher wages is intensifying. And the upward sweep of prices is continuing without respite.

Last week was hardly a comforting one for the administration's economic optimists. New data on industrial production, inventories and personal income, the gross national product, and other economic and business indicators confirmed the suspicion that the economy's growth has slowed perceptibly in recent months.

And there was a significant signal in the raising of the Federal Reserve's discount rate from 4 3/4 percent to 5 percent that the central banking system is becoming increasingly concerned over inflation.

The picture was further clouded by the start of a nationwide strike by 400,000 telephone workers and selected strikers in the railroad industry. A strike of copper workers has been under way since the end of June. And still looming

is a possible shutdown of the steel industry two weeks hence. Nineteen-seventy-one is turning out to be a difficult year from the standpoint of the labor market, though not as severe as turbulent 1970 up to this point.

In the first five months of the current year, there were 2,100 strikes, against 2,300 last year at the same time, but the total of man-days lost dropped to 12.4 million from 21.2 million in the 1970 period.

The margin between the two years will be narrowed when the seven-month statistics are available with the copper, telephone and other recent strikes included. Nineteen-seventy had been the worst strike year since 1950.

In addition to the big news on the discount rate and the start of a nationwide telephone strike, the week was highlighted by the less-than-exuberant reports on

industrial production and auto sales; the fairly strong gain in retail value; the moderate increase in both business inventories and the G.P.I., and the first legislative approval of a bill to provide financial help for ailing companies such as Lockheed.

Output at the nation's mines and factories during June rose for the fourth consecutive month, but the gain was substantially less than in May—a further indication that the economic recovery is proceeding in a very lumpy fashion.

The Federal Reserve Board's industrial-production index last month advanced four-tenths of 1 percent to 167.9 percent of the 1957-59 average level. The May gain was seven-tenths of a percentage point. Thus, output still remains almost 4 percent below the pre-recession peak reached in August, 1959.

With steel and auto production slipping so far this month, the next production report may be less encouraging.

Auto Sales Meanwhile it was disclosed that auto sales in the first 10 days of July went into a big slump, with sales down 12 percent to 159,776 vehicles, the industry's worst performance in almost a decade.

Detroit had been counting on sales as high as 180,000 units.

Tail sales at the nation's stores, however, continued to maintain rather strong gains, although much of the latest increase represented higher prices.

The June volume was up about 8 percent to more than \$33-billion.

The cautious mood of the American public was reflected in the latest consumer survey of the Conference Board, which found a

(Continued on Page 15, col. 4)

icate led by Berliner Handels-

gesellschaft Frankfurt Bank. The issue was expected to carry an 8 percent coupon and be priced around 98.

Issued priced during the week were a 75-million-mark, 8 percent offering of Glaxo Finance (Bermda) Ltd. at 92.25 and a \$15-million, 9 percent issue of Sandvikens Jernverk ab. at 92.5.

Over-Counter Market

Table listing various over-the-counter stocks with columns for High, Low, Last, and Change.

Main table listing various stocks with columns for High, Low, Last, and Change.

Table listing various stocks with columns for High, Low, Last, and Change.

Domestic Bonds

Table of domestic bond sales with columns for Sales in \$1,000, High, Low, Last, and Net change.

Bond Sales on the New York Stock Exchange

Main table of bond sales on the New York Stock Exchange, organized by issuer and including columns for Sales in \$1,000, High, Low, Last, and Net change.

Bonds

Table of various bond sales, including international and specialty bonds, with columns for Sales in \$1,000, High, Low, Last, and Net change.

NATIONAL BANK OF GREECE S.A.

The NATIONAL BANK OF GREECE S.A. is pleased to announce the conversion of its Frankfurt, West Germany, Representative Office into a Branch, which will start operations on July 22, 1971.

The above Branch will operate at the following address:

NATIONALBANK VON GRIECHENLAND A.G. ATHEN

FILIALE FRANKFURT AM MAIN

Am Hauptbahnhof 16
6 FRANKFURT / M

Cable Address: ETHNOTRAPEZA

Telephone : 611-239.091

Telex : 413.694 NABAK D

J. C. Penney Company, Inc.

has called for redemption ALL its 4 1/4% Convertible Subordinated Debentures Due 1993

If you own any of these Debentures, the following facts are of vital importance to you:

- 1. August 12, 1971 has been established as the redemption date. All Debentures not converted at the close of business on August 12, 1971 will be redeemed for cash at the redemption price of 103.61% plus accrued interest.
2. The Debentures are convertible into Common Stock of J. C. Penney Company, Inc. at a conversion ratio of one share of Common Stock for each \$50 principal amount of Debentures, or 20 shares of Common Stock for each \$1,000 principal amount of Debentures.
3. The Company has entered into an agreement with securities dealers headed by The First Boston Corporation whereby such securities dealers, who will receive a fee from the Company, have agreed to purchase Debentures tendered to them at The Chase Manhattan Bank, N.A., Corporate Agency Department, 1 New York Plaza—14th Floor, New York, N. Y. 10015 prior to the close of business on August 12, 1971 at \$1,043.94 per \$1,000 principal amount of Debentures, without addition of interest, and to convert all Debentures so purchased.
4. The conversion privilege expires on August 12, 1971. In order to convert, it is essential that the Debentures be received by the conversion agent, The Chase Manhattan Bank, N.A., Corporate Agency Department, 1 New York Plaza—14th Floor, New York, N. Y. 10015, on or before August 12, 1971, when the conversion privilege expires.
5. For the convenience of Debentureholders, a form of Letter of Transmittal was mailed to them, together with a return envelope, which may be used for forwarding the Debentures to The Chase Manhattan Bank, N.A. for conversion, sale or redemption.
6. Counsel for the Company has advised that conversion of Debentures into Common Stock will not result in a taxable gain or loss under present Federal income tax laws.
7. The Board of Directors has declared a regular quarterly dividend of 25 cents a share payable on August 1, 1971 to stockholders of record on July 10, 1971, to which Debentureholders converting into Common Stock will not be entitled.

J. C. PENNEY COMPANY, INC.

By WILLIAM M. BATTEN Chairman of the Board

NOTE that, as long as the market value of the Common Stock is more than \$52.20 per share, the market value of the Common Stock into which the Debentures are convertible is greater than either the price which would be received upon the sale of Debentures to the securities dealers or the price which would be received upon redemption.

July 15, 1971

OFFSHORE FUND AND "BANK" INVESTORS

A serious group of outraged investors is forming an "action committee" to retrieve lost monies. We want to hear from you. In complete confidence write to: BOI-Investors' Action Committee, London W11 6GX, England.

TOKYO CAPITAL HOLDINGS N.V.

Notice to holders of Ordinary Shares to bearer

At the Annual General Meeting of Shareholders of Tokyo Capital Holdings N.V., held on 17th May, 1971 a resolution was passed authorizing the payment as from 12th August, 1971 of a dividend of U.S. \$ 0.20 per ordinary share against the surrender of coupon no. 1 at the offices of the Paying Agents:

Pierson, Helderling & Pierson, Herengracht 214, Amsterdam

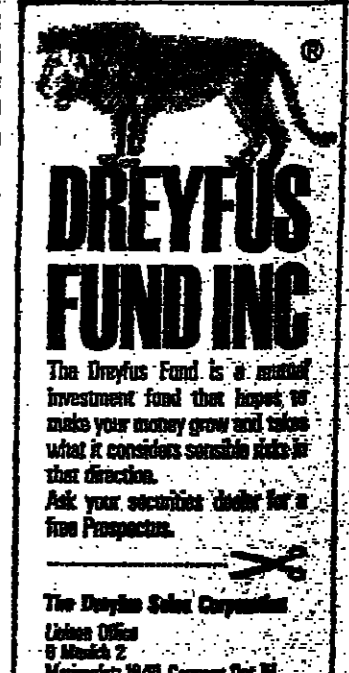
Banque Rothschild, 1 Rue La Fayette, Paris 9

Burkhardt & Co., 7-9 Lindenallee, 43 Essen

It should be noted that the shares are traded ex coupon no. 1 on the Amsterdam Stock Exchange as from 12th August, 1971.

The Quarterly Report as of 30th June, 1971 has been published and may be obtained from the above-mentioned Paying Agents.

19th July, 1971.



DREYFUS FUND INC.

The Dreyfus Fund is a mutual investment fund that helps you make your money grow and take what it considers sensible risks in that direction. Ask your securities dealer for a free prospectus.

The Dreyfus Sales Corporation, 100 Wall Street, New York, N.Y. 10038

N.Y. Bond Sales

Table of N.Y. Bond Sales with columns for Bond, Sales in \$1,000, High, Low, Last, and Net Change.

N.Y. Stock Exchange

Table of N.Y. Stock Exchange activity including volume, high, low, and net change.

N.Y. Markets Bullish After Nixon News

(Continued from Page 13) significant drop in the numbers planning to buy cars and major appliances during the last two months. Intentions to buy new homes remained steady.

Spanish Couture

For the convenience of our guests, the Autumn-Winter 1971/72 Collections of the Spanish High Fashion Houses will take place on Friday, July 23, 1971, in the Palace of Expositions according to the following program:

PERTEGAZ

9: 00 a.m.

SANTA EULALIA

10: 00 a.m.

CARMEN MIR

11: 00 a.m.

PEDRO RODRIGUEZ

4: 30 p.m.

HERRERA Y OLLERO

5: 30 p.m.

PEDRO ROVIRA

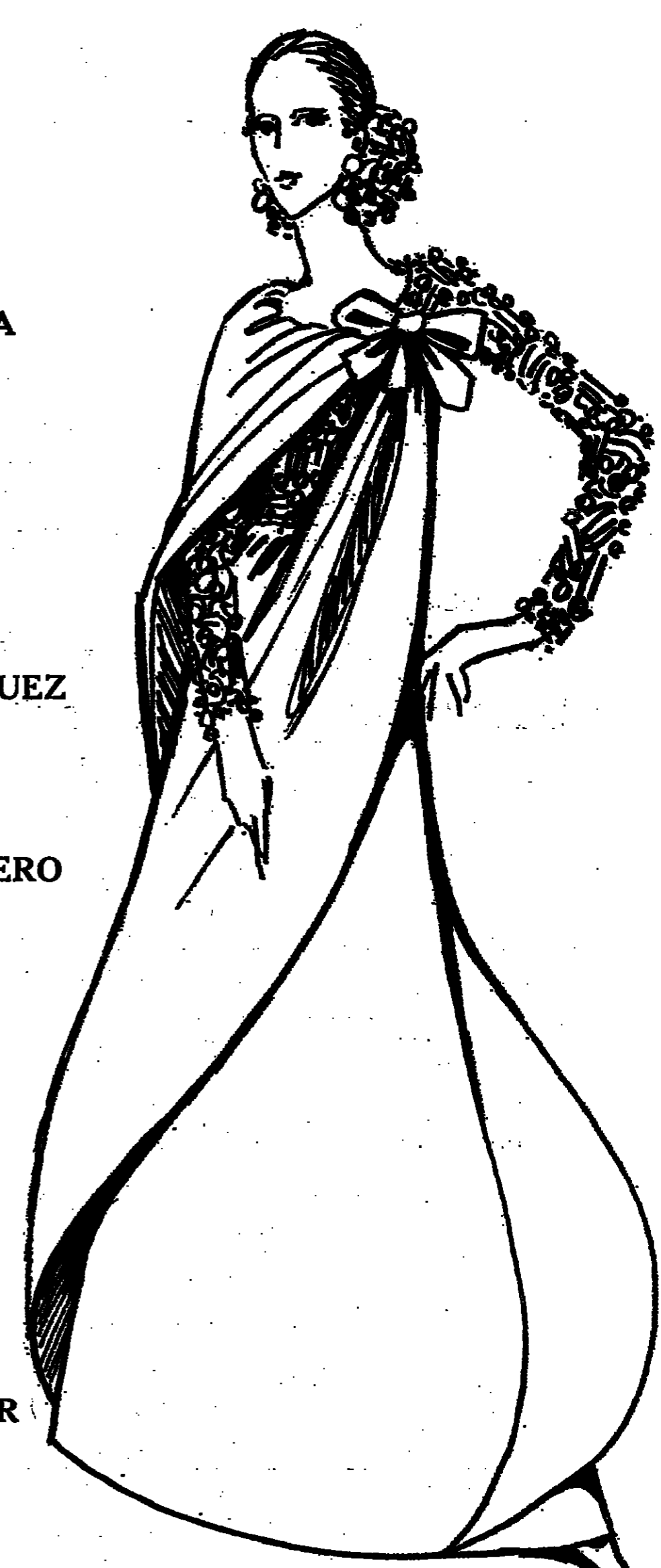
12: 00 a.m.

LINO

6: 30 p.m.

ELIO BERHANYER

7: 30 p.m.



For further information contact:

Oficina de Promocion de la Moda Espanola
Palacio de Exposiciones y Congresos
Avda. Generalisimo, 29
Madrid, Spain
Telephone 2705800

Foreign Bonds

Table of Foreign Bonds with columns for Bond, Sales in \$1,000, High, Low, Last, and Net Change.

American Exchange

Table of American Exchange activity including volume, high, low, and net change.

Market Averages

Table of Market Averages including Dow Jones, S&P 500, and NYSE Composite.

Insurance Stocks

Table of Insurance Stocks with columns for Stock, Sales in \$1,000, High, Low, Last, and Net Change.

Treasury Bills

Table of Treasury Bills with columns for Bill, Bid, Asked, and Yield.

International Bonds

Table of International Bonds with columns for Bond, Units of Account, Bid, Asked, and Yield.

European Currency Units

Table of European Currency Units with columns for Unit, Bid, Asked, and Yield.

Deutsche Marks

Table of Deutsche Marks with columns for Mark, Bid, Asked, and Yield.

Bank Stock Quotations

Table of Bank Stock Quotations with columns for Bank, Bid, Asked, and Last Price.

FTC Issues Complaint Against Drug Merger

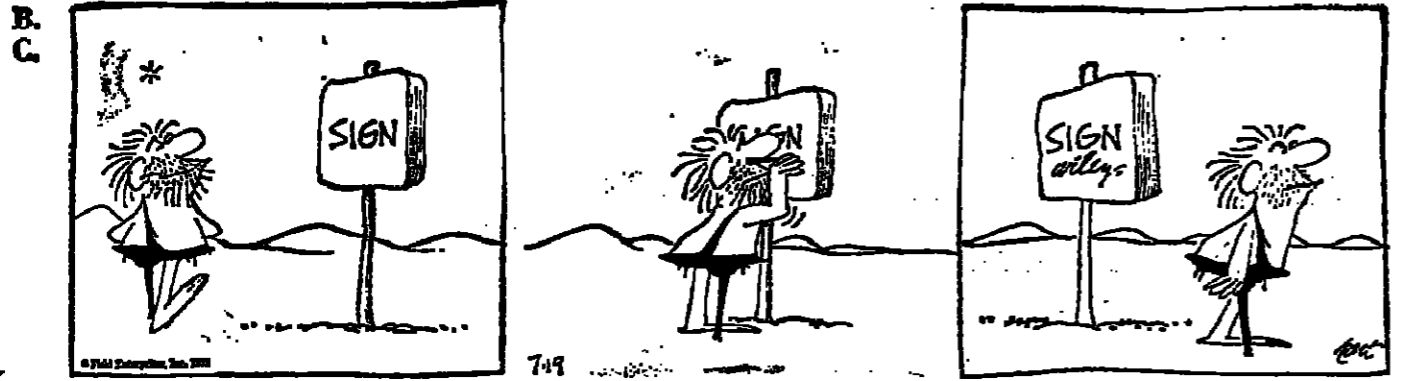
WASHINGTON, July 18 (WP).—The Federal Trade Commission has finally issued its formal complaint seeking to undo the merger of Warner-Lambert Co. and Parke, Davis & Co., two of the nation's leading drug manufacturers.

EEC Forecasts Grain Surplus

BRUSSELS, July 18 (WP).—The Common Market has forecast a bumper grain harvest this year that is expected to result in record surpluses.

PEANUTS

GO HERE TO CAMP AGAIN. HERE'S THE WORLD WART FLYING ACE HEADING FOR THE FRONT. I DON'T KNOW WHY I DO THIS. I HATE GOING TO CAMP... WE SHOULD BE GETTING NEAR VERONIA SOON... I GUESS GOING TO CAMP IS SUPPOSED TO BE GOOD FOR YOU. I DON'T SEE ANY SIGNS. JUST A FEW BLIGHTERS WORKING IN THE FIELDS. GOING TO CAMP PREPARES YOU FOR GETTING DRAFTED WHICH I DON'T WANT TO DO EITHER... CURSE THIS STUPID WAR!



FILABNER

WHY SHOULD WE AVOID THESE CUTE L.I.L. WATER KRONKINGALS? THEY HAIN'T AVOIDIN' US... I'LL SAY! --WE'RE S-SURROUNDED BY MILLIONS OF 'EM!!... MI-MI-O MI-MI!! ALL THEY'S GONNA DO IS SING!! 'YOU THINK SO?'... YOU'RE WRITING A BOOK?!

BEE TLE

YEAH! ALL ABOUT MY ARMY EXPERIENCES! I'LL MAKE A FORTUNE... I THINK THE COUNTRY'S SICK OF WAR... THIS ISN'T ABOUT WAR... IT'S A HOUSE-KEEPERS MANUAL... YOU'RE WRITING A BOOK?!

MISS PEACH

THE STAFF WANTS TO PUBLISH YOUR AGE IN THE CAMP NEWSPAPER, MR. GRIMMIS? YES! IT WOULD EMBARRASS ME, AND IF THEY DARE TO PRINT IT, THERE'LL BE NO CANDY FOR THE ENTIRE STAFF FOR THE REST OF THE WEEK! DO MY EARS DECEIVE ME, IRA? IT'S A NEW WRINKLE IN PRIOR RESTRAINT!

BUZ SAWYER

TENNYSON! THE DARLING GIRLS' CAT! STOP! NONSENSE, HE COULDN'T HAVE COME SO FAR SO QUICKLY... HE WAS FRIGHTENED. QUICK! BLOCK THE OTHER END OF THE CLIVERT. WE MUST CATCH HIM!

WIZARD OF ID

DO YOU SCOUT IN OFFICIAL BOOTS IN THIS CONTEST? YES SIR... HE HAS THE LINGS OF A BEAST, THE LEGS OF AN ANIMAL AND THE STAMINA OF AN 8 FOOT GORILLA! WHAT HAVE THEY MATCHED ME WITH, A SUPERMAN? NO... AN 8 FOOT GORILLA...

REX MORGAN M.D.

THERE'S NOT A BREEZE BRIDGING-SEED! I'VE AFRAID WE'LL NOT BE ABLE TO GET YOU BACK IN TIME FOR THE THEATER! MEANWHILE... MELISSA? REX SUGGESTED THAT BRUCE USE YOUR TICKET FOR THE SHOW TONIGHT! WHEN HE BRINGS HE'DI HOME, WILL YOU TELL HIM THAT WE'LL BE HAVING DINNER FIRST AT THE HOTEL? YES, I'LL TELL HIM! AT SIX THIRTY!!

POC

AHVE YOURSELF COMFORTABLES-- I MUST EXAMINE THE SUPER-SECRET ANDHYVE FROM THE CHEF IN PRIVATE-- TLA CALL I'LL NEED YOU! RIGHT FROM THE HEADWATERS-- THE SHEER TOP OF THE WATERFALL-- BY HIS OWN HAND-- HA! ANNAH! HEY-- I GUESS YOU BETTER STOP IN HERE.

RIP KIRBY

WHO ARE YOU WAVING AT, RIP? MY MAN, DESMOND, SHERMAN, INCREDIBLE CHAP, ABSOLUTELY INDISPENSABLE TO ME. WONDER WHO THE GIRL IS? HOPE I CAN SNEAK IN THE SIDE ENTRANCE, DESMOND. I MAY HAVE A GREAT FUTURE AS A STAR, BUT RIGHT NOW I NEED THIS JOB HELPING AT THE PARTY. BELINDA SITTERS, THE HOUSEKEEPER HERE, IS AN OLD FIRE-EATER, SINNY, BUT DON'T WORRY, WE'LL OUTRIT HER... AHA, HERE COMES THAT EXTRA MAID NOW. I'VE A MIND TO FIRE HER ON THE SPOT!!

BLONDIE

MR. BEASLEY, WHAT'S THE METAL YOU'RE WEARING? IT'S FOR POSTAL SERVICE ABOVE AND BEYOND THE LINE OF DUTY!

BRIDGE By Alan Truscott

A strange feature in the 1971 world championship qualifying rounds was that East was twice dealt a nine-card club suit. In one of these deals, opening in the diagram, the normal opening bid was five clubs, ending the auction.

All the declarers rolled home 11 tricks without difficulty because South had no reason to choose the killing spade lead. Four South players led the diamond king and East was able to discard his spade on the diamond ace. The fifth South led the heart ace, which sacrificed a heart trick for the defense.

At the sixth table, Gabriel Chagnas for Brazil chose a cunning pass as East with the intention of backing into the auction at a later stage. This tactic misfired, for his opponents were able to find their diamond fit.

When five clubs was passed around to M. F. Tai in the North seat, he gave the situation careful thought and finally bid five diamonds. This decision aroused great enthusiasm among the Taiwanese fans watching the play on Bridge-o-Rama.

West not unreasonably doubled, but did not find the perfect defense needed to justify the double. He led a club, which was ruffed in the dummy, and Patrick Huang, for Taiwan, led a trump to his queen. West won with the ace and shifted to a heart. East put up the king and the ace won.

South then led the diamond eight, a key play, and West took his jack. He played another heart, driving out the declarer's ace, and South was in control of the situation.

Drawing the missing trumps would have been an error, but Huang did not slip. He led the

NORTH
 ♠ A Q 8 6 4
 ♥ 3 7 6 3
 ♦ 7 6 5 3
 ♣ A Q

WEST EAST (D)
 ♠ K 9 7 3 ♠ 5
 ♥ 9 2 ♥ K J 10
 ♦ A J 4 2 ♦ A Q 10 9 8 7 6 5 4 3 2
 ♣ K 8 5 ♣ A Q 10 9 7 6 4 3 2

Both sides were vulnerable.
 The bidding:
 East South West North
 Pass 1 ♠ Pass 1 ♠
 5 ♣ Pass Pass 5 ♠
 Pass Pass DBL Pass
 Pass Pass Pass
 West led the club five.

DENNIS THE MENACE

IS DAD MAD AT YOU, MOM? HE'S WORKIN' IN THE GARAGE AN' HE'S GOT IT LOCKED!



JUMBLE that scrambled word game

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

HELAT
 GOBUH
 CLENIUS
 LYBBAF

Print the SURPRISE ANSWER here

(Answers tomorrow)

Saturday's
 Jumble: LADLE TOXIC CORNEA SLOUCH
 Answer: What the photographer said to the outfielder who was about to catch a fly--"HOLD IT!"

BOOKS

LOS ANGELES

The Architecture of Four Ecologies
 By Reyner Banham. Harper & Row. 256 pp. Illustrated. \$6.95.
 Reviewed by Roger Jellinek

LOS ANGELES does not get the attention it deserves," writes Reyner Banham. "It gets attention, but it's like the attention that Sodom and Gomorrah have received, primarily a reflection of other people's best consciences." And yet, ask any established Angeleno what he thinks of his city, and he's likely to answer, "God's Country," a name of an English architectural critic who has made a career out of confounding the orthodox by his disciplined and acerbic celebrations of technology and popular forms, would agree. With some irritation he writes that "insofar as Los Angeles performs the functions of a great city, in terms of size, cosmopolitan style, creative energy, international influence, distinctive way of life and corporate personality... then that same extent all the most admired theorists of the present century, from the futurists and Le Corbusier to Jane Jacobs and Sybil Moholy-Nagy, have been wrong."

Far from being a vast amorphous parking lot laced with freeways, Los Angeles for Banham has a unique and perfectly comprehensible form. The four ecologies, the interaction of Angelenos, the beach, the foothills, the plain and the freeways, are not the results of a centrifugal "sprawl city," but of specific historical events. First there were the original Spanish-Mexican ranchos, then the network of water mains and urban roads of the 1870s, which introduced random real-estate speculation and commuting. The freeways, often regarded as the beginning and the end of Los Angeles, only started replacing the railroads in 1938--in imitation of New York.

Meanwhile, continental railroad competition in the 1880s (a single silver dollar from Kansas City to L.A.) spurred a flood of immigrants from the Midwest--by contrast, Banham notes, San Francisco was plugged in from the sea. Los Angeles, writes Banham, "is the Middle West raised deep in the heart of the West and the perennial revolt against them colliding at critical mass under the palm trees. Out of it comes a cultural situation where only the extreme is normal."

The true language of Los Angeles is the language of movement, says Banham. "So, like earlier generations of English architects who taught themselves Italian in order to read Dante in the original, I learned to drive in order to read Los Angeles in the original." His first drive in the book is along the 70 miles of the beach. He picks out two vernacular architectures along the beach, the pervasive Spanish Colonial with its great refinement by Irving Gill, and the wooden California bungalow style derived from the arts-and-crafts Greene Brothers.

In the ecology of the foothills is the "fat life" of Hollywood and Beverly Hills, "epitomes of the great middle-class suburban dream." Banham writes irresistibly of his habitat: "Where would the private eyes of the forties have been without laurel shrubberies to lurk in, sweeping front drives to turn the car in, terraces from which to observe the garden below, massive Spanish Colonial Revival windows to hold on to, or

Mr. Jellinek reviews books for The New York Times.

CROSSWORD By Will Weng

ACROSS
 1 Where Fort Lamy is
 8 Stadium feature
 9 Compared with
 13 Sea of Jacob
 14 A votre
 15 Saarinen
 16 Olympian
 17 On the up
 18 Hospital department
 19 Tropical sleeping miasma
 22 Western state; Abbr.
 23 Old name for Ulan Bator
 24 Punta
 29 Counter order
 30 Touching gently
 32 Go for
 36 Waste allowance
 37 Sharp turn
 38 Counter order
 39 Sponsorship
 41 Migrant
 44 Coliars
 46 Baked desserts

DOWN
 47 African amulet
 50 Ending with astro and astro
 51 Took off
 52 Contestants' goals
 58 Open
 60 Nucleocases
 61 Gave up
 62 Arabian capital
 63 Indian corn
 64 Opera feature
 65 Exclamation of disgust
 66 Being Sp. Abbr.
 67 Very much
 80 Silent one
 81 Protagonist
 82 Relative of stis.
 84 Bothersome
 85 Teases
 86 Prefix for a subcontinent
 87 Vingt
 88 Amendment XXI
 89 Neighbor of Okla.
 90 Wading bird

11 Macaw
 12 Siberian antelope
 20 Confidant
 21 Silesia aid
 25 Self-important
 26 Numerical prefix
 27 Thin
 28 Vestige
 29 Exaggerate
 31 Xenithippe
 33 Schedule
 35 Calients
 35 Pich's companion
 40 Famed puppeteer
 42 Pass
 43 Wild ox of East
 45 Ancient galley
 47 Comprehend
 48 Indian V.I.P.
 49 Insubstantial
 53 --impasse
 54 Parisian night
 55 Motel
 56 Work on mss.
 57 Weddell and Ross
 59 Unrained

1 2 3 4 5 6 7 8 9 10 11 12

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58		59	60					61			
62						63		64			
65						66					

Stewart Scores Easily In British Grand Prix

BRISTOL, England, July 18 (UPI)—Jackie Stewart, 35, scored an easy victory in the British Grand Prix at Silverstone yesterday in his Lotus-Ford Formula One...

Stewart now has 42 points to lead the championship standings over Jackie Ix, of Belgium, who has 19. Peterar with 15 and Fitzpaldi with 10.

Overall race, he took the points championship (based on daily results) and the combined title for mountain and flat racing.

Crampton Ties Nichols for Lead In Western Golf

CHICAGO, July 18 (AP)—Bruce Crampton and Bobby Nichols shared the lead after the third round of the \$150,000 Western Open golf tournament yesterday.

Crampton, an Australian veteran seeking his tenth U.S. tour title, topped a six-hole birdie putts country club for a two-under par.

Nichols, a former PGA champion who is club pro at Firestone in Akron, Ohio, shot a 70.

Lee Trevino, who won the U.S. Canadian and British Open titles in a four-week period, birdied the last two holes for a two-over-par 75.

Los Wins French Open Biarritz, France, July 18 (UPI)—Taiwan's Lu Liang-huan won the French Open golf championship today with a three-under-par 68 for a four-round total of 272.

Friday's and Saturday's Line Scores

Table with 3 columns: Team/League, Home Record, Away Record. Includes American League, National League, and various minor league teams.



GREAT SCOT—Jackie Stewart kisses trophy after winning British Grand Prix.

Cub Rookie Supplies Hitless Relief

NEW YORK, July 18 (AP)—Rookie reliever Ray Newman struck out three men in the fifth inning with the tie-breaking run in scoring position Sunday and pitched hitless ball the rest of the way as the Chicago Cubs defeated the Montreal Expos 6-4.

Newman, in winning his first game of the season, retired the last 19 batters.

Trailing 4-1, the Expos had jumped on starter Milt Pappas for three runs in the fifth.

Philles 4, Astros 0

A's Blue Wins 18th On 1-Hitter Over Tigers

OAKLAND, July 18 (UPI)—Vida Blue of the Oakland Athletics pitched a one-hitter over the Detroit Tigers Friday night to win his 18th game of the season in 18 games.

Pat Corrales drilled a two-run single and Rose Gimsey pitched a three-hitter as Cincinnati whipped San Diego 3-0.

Pat Corrales drilled a two-run single and Rose Gimsey pitched a three-hitter as Cincinnati whipped San Diego 3-0.

Ellis of Pirates Hurls 13th Victory in Row

NEW YORK, July 18 (UPI)—Righthander Dock Ellis breezed to his 13th victory of the season, highest total in the majors, by beating the Pittsburgh Pirates 9-2.

Ellis, whose last of three losses came on April 27, is the first Pirate starter to win as many as 13 in succession since Deacon Phillippe in 1910.

Saturday

Pirates 9-2, San Diego 3-0

Friday's and Saturday's Line Scores

Table with 3 columns: Team/League, Home Record, Away Record. Includes American League, National League, and various minor league teams.

Keino, Matzdorf Score; Ethiopian's Bizarre Run Is U.S.-Africa Highlight

DURHAM, N.C., July 18 (UPI)—The rabbit ran too fast for Kipkoge Keino yesterday, but Alton Iler found the perfect pacer to rewrite one of the memorable chapters in international track and field.

Keino wanted a 1:58 half-mile but Bon, apparently too eager to please, rushed away and covered the first 440 in 54.4.

Ben Jipco of Kenya, won the 3,000-meter steeplechase as National Collegiate and AAU champion Sid Sisk of Bowling Green, showing the strain of the long season, was third in time well over his U.S. record.

Friday, Iler, an Ethiopian, lost count of the laps in the 5,000-meter run and challenged Steve Prefontaine, his American rival, one lap to go.

Yesterday coaches shouted times and commands on the track in Amharic, the Ethiopian dialect. Iler waited for the last lap, rushed past Shorter and quickly sprinted to a 15-yard lead.

But at the top of the last turn, in a reflection of his character and determination, Shorter began closing in the gaps.

In a reflection of his character and determination, Shorter began closing in the gaps. In the stretch, with 50 meters left, Shorter reached Iler's side.

After 15 minutes of hectic consultation, conference and, for a few moments, uncomprehensible charges and counter-charges, it was discovered that Iler had, indeed, run his sprint lap too early.

The metric mile confirmed Keino's status as one of the world's greatest runners. The Olympic champion outdistanced two Americans, none, however, named Iler.

Considering the temperature at race time, the soft, spongy synthetic track and the absence of any formidable competitors, Keino's time was remarkable. The world record, held by Jim Ryun, is 3:33.1.

Keino decided to try for the record with a little help from a friend, Natfiel Bon, a Kenyan countryman.

WBA Ranks Ali As No. 1 Contender

SYLVANIA, Ohio, July 18 (AP)—Muhammad Ali is back in the World Boxing Association ranking as No. 1 contender for the first time since he refused military induction in 1967.

The WBA said it has ranked Ali in its July ratings because the former heavyweight champion was cleared by the U.S. Supreme Court when it reversed his draft-evading conviction.

Ali is scheduled to fight Jimmy Ellis in a 12-rounder in Houston July 26. George Forman was ranked second, Ellis third.

THE SCOREBOARD

Baseball scores for various teams like Cincinnati, Philadelphia, etc.

Twins 5, Senators 2

After scoring twice earlier in the games on errors by second baseman Mike Andrews, New York wrapped up a 4-2 victory over Chicago with two runs in the seventh.

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Firestone advertisement featuring a tire and the slogan 'MORE RACES ARE WON ON FIRESTONE TIRES THAN ON ANY OTHER BRAND'.

Mary Blume

Mme. Florette will not talk about her customers. She will mention that she dresses a Baroness de Rothschild, though she doesn't say which one, and several of the Mrs. Rockefellers.

Discretion Is the Better Part of Vending

PARIS—In the most literal sense, the job of a vendeuse in a French fashion house is to sell. But a top vendeuse does not speak of selling a dress to Mme. X. Instead she says, more accurately, that she dresses Mme. X. for it is the vendeuse who does not only that the client feels she's got her money's worth, but also that the dress she wears into the light of common day is the best possible reflection of the couturier's ideas.

late Mrs. Margaret Biddle, who could order the same dress in a dozen colors. She also admires Barbara Hinton, who has total dress recall and who once, after a collection, ordered 104 dresses without even asking to see them a second time. Occasionally a customer will order a dress and change her mind about it: If she is a good customer, the house absorbs the expense.



Mme. Florette at work at the house of Courrages.

Mme. Florette's customers followed her from Balenciaga to Givenchy, and she assumes that they'll come to Courrages despite his reputation for very young and athletic clothes. "I can dress my customers as well as I did at Balenciaga and Givenchy, but in a different, younger style." Costs and long dresses will go especially well, she says, and she has already persuaded Courrages to add them to his evening line.

PEOPLE: Princess Anne Leaves the Hospital

Princess Anne left the hospital where she underwent an operation for removal of an ovarian cyst 10 days ago. The 20-year-old daughter of Queen Elizabeth II looked in high spirits as her brother, Prince Charles, picked her up Saturday in his new Aston-Martin sports car and they sped off for Windsor Castle in the country. Several hundred people—including many foreign tourists—waited outside to get a glimpse of her.

Police in the village of St. Ives, Cambridgeshire, England, have won the long and bitter Battle of Pig Lane. Officers in the new police station in old Pig Lane demanded that the name be changed. It was pregnant, they said, with provocation. But locals put their feet down. They argued Pig Lane had historical connections. Compromise has at last been reached.

From North Las Vegas, Nev., comes a report that Mrs. Barbara Watson was slapped by her dentist because she says, she cried "ouch" when he put an instrument into her mouth and touched a sensitive tooth.

A Johannesburg girl in school has turned peanut butter at the school because they are considered sexual stimulants. A report in the Nutrition Advisory Board Organization said the girl had been ordered by the school's principal to stop eating peanut butter.

The judge's verdict in State v. Reston, which was heard from the bench by Judge James Reston, vice president and columnist of The New York Times, was that the defendant was guilty of manslaughter.

Princess Anne as she is about to drive off on 10 days in London. The judge's verdict in State v. Reston, which was heard from the bench by Judge James Reston, vice president and columnist of The New York Times, was that the defendant was guilty of manslaughter.

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